



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: Scott Byron Reeves

Heard: October 19, 2016, in Toronto, Ontario
Decision and Reasons: March 7, 2017

DECISION AND REASONS

Hearing Panel of the Central Regional Council:

H. Michael Kelly Q.C.
Kenneth P. Mann
Robert C. White

Chair
Industry Representative
Industry Representative

Appearances:

David Halasz)
)
)
)

Counsel for the Mutual Fund Dealers
Association of Canada

Scott Byron Reeves)
)
)

Did not appear in person or by Counsel

ALLEGATIONS:

1. The MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between 2004 and May 9, 2014, the Respondent solicited and accepted from at least three clients a total of approximately \$5,064,208.00, some or all of which the Respondent deposited into accounts that he controlled, which the Respondent failed to invest, return or otherwise account for, contrary to MFDA Rule 2.1.1., 1.1.1, 2.1.4 .

Allegation #2: Between 2010 and 2014, on at least 34 instances, the Respondent directed the Member to deposit redemptions totalling approximately \$1,126,117 from a client's account at the Member to a bank account that did not belong to the client, by providing the Member with a void cheque that had been altered so that it appeared to the Member that the cheque corresponded to the client's bank account when the client did not hold such an account, contrary to MFDA Rule 2.1.1.

Allegation#3: Between 2009 and May 9, 2014, the Respondent made statements and provided documents to at least three clients, which he knew were false, misleading or incorrect, and misrepresented to the clients the amounts and whereabouts of their investments and monies, contrary to MFDA Rule 2.1.1.

Allegation #4: Between January 8, 2004 and May 9, 2014, the Respondent had and continued in other gainful occupations that were not disclosed to and approved by the Member by acting as an officer or a director for at least 11 corporations, contrary to MFDA Rules 1.2.1(c)¹ and 2.1.1.

¹ Prior to February 22, 2011, MFDA Rule 1.2.1(c) was numbered as MFDA Rule 1.2.1(d).

PROCEDURAL BACKGROUND:

2. On August 27, 2015, the MFDA issued a Notice of Hearing² in respect of a former Approved Person, Scott Byron Reeves (the “Respondent”). The Notice of Hearing was served upon the Respondent.

3. The Respondent has never filed a Reply in this proceeding.

4. The first appearance in this proceeding occurred on November 10, 2015. Neither the Respondent, nor anyone on his behalf, appeared, although the Respondent was properly served with notice, as appears from the Affidavit of Brent Higgins sworn September 30, 2015.³ At the first appearance, the Hearing Panel ordered that the hearing of this matter on its merits take place on February 25-26, 2016.⁴

5. At the February 25, 2016 appearance, counsel for the Respondent advised that the Respondent would bring a motion to adjourn and stay the MFDA hearing on the merits until the conclusion of the related criminal proceeding against the Respondent in the Ontario Superior Court of Justice.

6. The Respondent’s motion was heard on March 3, 2016, at which time the Hearing Panel reserved its decision on the motion. The Hearing Panel issued its Decision and Reasons dated March 30, 2016 dismissing the Respondent’s motion.⁵ The decision requested that MFDA Staff and the Respondent's counsel confer to select a date for a teleconference to set the Hearing date.

7. On May 18, 2016, counsel for the Respondent advised Staff, by e-mail that she would not appear on behalf of the Respondent at the teleconference appearance, the purpose of which was to schedule the hearing on the merits.⁶ In that message, counsel stated: “With respect to the services of documents, Mr. Reeves respectfully asks that arrangements be made for service of any future communications upon a mutually agreeable law office whereat Mr. Reeves would

² Exhibit 1

³ Exhibit No, 2 Affidavit of Service of Brent Higgins, sworn September 30, 2015

⁴ Order of the Hearing Panel dated November 10, 2015, Staff’s Book of Authorities, Tab 1

⁵ Reasons for Decision (Motion) dated March 30, 2016, Staff’s Book of Authorities, Tab 2

⁶ Exhibit No.3 Affidavit of Daniela Capozzolo sworn October 14, 2016, para. 148 and Exhibit “98”

undertake to obtain any documents you may wish to serve upon him. Alternatively, Mr. Reeves proposes that any and all future communications be forwarded to him by way of regular mail or registered mail". On June 27, 2016, MFDA responded to counsel by e-mail, advising that, in view of her message, MFDA did not intend to send any further communications to her, unless advised otherwise, and attached to the e-mail a copy of the letter sent by MFDA to the Respondent by regular and registered mail, dated June 27, 2016, confirming the date of July 6, 2016 at 9:30 am for the teleconference.⁷

8. On July 6, 2016, neither the Respondent nor anyone on his behalf appeared at the teleconference appearance, and the Hearing Panel ordered the hearing on the merits to proceed on October 19-20, 2016.⁸

9. The Hearing proceeded before the Panel on October 19, 2016. The Respondent did not attend the Hearing, either personally or by Counsel, notwithstanding that he had been properly served with notice of the hearing.⁹ As well, notice of the hearing had been posted to MFDA's website. Staff received no response from the Respondent.

ADMISSIBILITY OF EVIDENCE:

(a) Failure to File a Reply or to Attend a Hearing:

Section 20.4 of MFDA By-law No. 1 states:¹⁰

If a Member or person summoned before a hearing of a Hearing Panel by way of Notice of Hearing fails to:

- a) serve a reply in accordance with s. 20.2; or
- b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a reply may have been served;

⁷ Exhibit No.3 Affidavit of Daniela Capozzolo Volume 2, Exhibit 99

⁸ Order of the Hearing Panel dated July 6, 2016, Staff's Book of Authorities, Tab 3

⁹ Exhibit No. 4 - Affidavit of Josie Mulder sworn September 26, 2016; Exhibit No. 5 - Affidavit of Josie Mulder, sworn September 30, 2016; Exhibit No. 6 - Affidavit of Brent Higgins, sworn October 5, 2016.

¹⁰ Section 20.4 of MFDA By-law No. 1, Staff's Book of Authorities, Tab 4

the Hearing Panel may proceed with the hearing of the matter on the date and at the time and place set out in the Notice of Hearing (or any subsequent date, at any time and place), without further notice to and in the absence of the Member or person, and the Hearing Panel may accept the facts alleged by the Corporation in the Notice of Hearing as having been proven by the Corporation and may impose any of the penalties described in Section 24.1.

(b) Rules 7.3 and 13.5 of the MFDA Rules of Procedures similarly empower a Hearing Panel, where a Respondent does not attend the hearing, to proceed with the hearing in the absence of a Respondent and accept the facts alleged and conclusions in the Notice of Hearing as proven.

(c) Admissible evidence:

MFDA Rule of Procedure 1.6 specifically permits the following to be admitted as evidence:¹¹

Subject to sub-Rule (3), a Panel may admit as evidence any testimony, document or other thing, including hearsay, which it considers to be relevant to the matters before it and is not bound by the technical or legal rules of evidence.

(2) A Panel may admit a copy of any document or other thing as evidence if it is satisfied that the copy is authentic.

(3) Nothing is admissible in evidence which would be inadmissible by reason of a statute or a legal privilege.

Likewise, MFDA Rule of Procedure 13.4 permits evidence to be adduced by way of sworn statements, as follows:¹²

The Hearing Panel may allow the evidence of a witness or proof of a particular fact or document to be given by sworn statement unless an adverse party reasonably requires the attendance of the witness at the hearing for cross-examination.

¹¹ Rule 1.6 of the MFDA Rules of Procedure, Staff's Book of Authorities, Tab 7

¹² Rule 13.4 of the MFDA Rules of Procedure, Staff's Book of Authorities, Tab 8

Exhibits filed at the hearing:

- 1) Exhibit No. 1: Notice of Hearing
- 2) Exhibit No. 2: Affidavit of Service of Brent Higgins, sworn September 30, 2015.
- 3) Exhibit No. 3: Affidavit of Daniela Capazzolo, Volumes 1 and 2, sworn October 14, 2016,
- 4) Exhibit No. 4: Affidavit of Service of Josie Mulder, sworn September 26, 2016,
- 5) Exhibit No. 5: Affidavit of Service of Josie Mulder, sworn September 30, 2016,
- 6) Exhibit No. 6: Affidavit of Attempted Service of Brent Higgins, sworn October 5, 2016

10. No oral testimony was called at the Hearing. The Panel is satisfied that the Respondent received proper notice of the date, time, and location of the Hearing, and simply did not participate. The Panel is satisfied that, pursuant to Section 20.4 of MFDA By-law No. 1, the Panel may accept, in the absence of the Respondent's Reply, the facts alleged by MFDA in the Notice of Hearing. The Panel accepts those alleged facts. The Panel accepts the validity of the contents of the exhibits filed at the hearing confirming the requisite service of the Notice of Hearing, and of the Panel's Order setting the date, time, and location for the Hearing.

11. Importantly, pursuant to MFDA Rules of Procedure 1.6 and 13.4, the Panel accepts the evidence contained in the two-volume "Affidavit of Daniela Capozzolo", sworn October 14, 2016.¹³ Ms. Capozzolo is a Senior Investigator with MFDA. Her 45-page affidavit, with 99 attached exhibits ("Capozzolo Affidavit"), provided to the Panel a very detailed and comprehensive review of the facts supporting the Allegations and the Particulars set out in the Notice of Hearing. The Panel accepts the facts set out in the Capozzolo Affidavit, as supported by the attached exhibits. Among the Capozzolo exhibits are the transcripts of the MFDA interviews of clients GM, DA, and PV. As well Mr. Halasz, MFDA's counsel, in addition to his oral submissions, provided to the Panel the brief entitled "Submissions of the Staff of the MFDA", and "Book of Authorities". The Panel was satisfied that the oral submissions and the

¹³ Exhibit No. 1

brief accurately summarized the facts set out in the Capozzolo Affidavit, and alleged in the Notice of Hearing.

CONFIDENTIALITY OF PERSONAL INFORMATION:

12. At the request of Mr. Halasz, the Panel, during the hearing, made the following **Order:**

If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*.

THE FACTS:

The Respondent's registration history and business:

13. The Respondent's registration history as a mutual fund salesperson (now known as a Dealing Representative) is as follows:¹⁴

- a) From January 8, 2004 to May 9, 2014, with FundEX Investments Inc. ("FundEX");
- b) From January 1997 to November 2003, with Keybase Financial Group Inc. ("Keybase").

14. While registered with FundEX, the Respondent was approved to operate under the trade names: Reeves Wealth Services ("**RWS**"); Scott Reeves Financial ("**SRF**"); Reeves Financial Services ("**RFS**"); and Reeves Financial Services Inc. ("**RFSI**"). In particular, FundEX approved the Respondent to operate his business selling life insurance and Guaranteed Investment Certificates ("**GICs**") under the trade name SRF or RFSI.¹⁵

¹⁴ NOH at paras. 1-2; and Capozzolo Affidavit at paras. 1-2

¹⁵ NOH at para. 3; and Capozzolo Affidavit at paras. 5-7

15. By letter dated May 12, 2016, FundEX terminated the Respondent, in part, for failing to disclose to FundEX outside business activities, the details of which businesses are described in more detail later in this decision.¹⁶

16. The Respondent is currently not registered in the securities industry.¹⁷ As well the Respondent's insurance license has expired, and he is currently not authorized to sell insurance.

17. The Respondent conducted business out of a Branch located in Hamilton, Ontario (the "Branch").¹⁸

Re. Client GM:

18. Commencing in 2004, and at all material times, Client GM was a client of FundEX whose accounts were serviced by the Respondent.¹⁹ Client GM is currently 66 years of age, and was employed with a modest income.²⁰ Client GM was a long-time family friend of the Respondent.²¹

i) *Purported GIC's*

19. In 2008, client GM was concerned about the markets and wished to move her investments from mutual funds at FundEX, in order to acquire GICs. The Respondent advised client GM that he could obtain more favourable interest rates on GICs than those available directly from a bank.²²

20. Client GM agreed to purchase GICs through the Respondent, and in 2009 and from time to time thereafter, client GM redeemed mutual funds that she held in her FundEX account, in order to provide the Respondent with the monies required to purchase the GICs.²³

¹⁶ Capozzolo Affidavit at para. 11

¹⁷ NOH at para. 4; and Capozzolo Affidavit at para. 12

¹⁸ NOH at para. 5; and Capozzolo Affidavit at para. 14

¹⁹ NOH at para. 6; and Capozzolo Affidavit at para. 18 and Exhibit "10B"

²⁰ Capozzolo Affidavit at paras. 20a-c.

²¹ Capozzolo Affidavit at para. 20d

²² NOH at para. 7; and Capozzolo Affidavit at paras. 20f-h

²³ NOH at para. 8; and Capozzolo Affidavit at paras. 20i, 20k

21. Between approximately March 2009 and July 2011, the Respondent obtained, from client GM, 18 cheques totaling \$299,000, which the Respondent instructed client GM to make payable to his companies, Reeves Financial Services DBS, Reeves Financial DBS and RSFI.²⁴ The cheques were deposited into a bank account belonging to RFSI, a corporation for which the Respondent was the sole director and officer.²⁵ The Respondent advised the client that Reeves Financial Service DBS was a trust account for holding client monies. The chart below lists the cheques provided by the client, that were deposited to the account of RFSI:

	Date of Cheque	Amount of Cheque	Cheque Made Payable to
1	March 4, 2009	\$5,000	Reeves Financial DBS
2	March 23, 2009	\$5,000	Reeves Financial Services DBS
3	March 23, 2009	\$25,000	Reeves Financial Services DBS
4	April 8, 2009	\$25,000	Reeves Financial Services DBS
5	June 3, 2009	\$14,000	Reeves Financial Services DBS
6	June 30, 2009	\$22,750	Reeves Financial Services DBS
7	June 30, 2009	\$13,000	Reeves Financial Services DBS
8	July 9, 2009	\$16,250	Reeves Financial DBS
9	July 9, 2009	\$13,000	Reeves Financial Services DBS
10	September 25, 2009	\$14,000	Reeves Financial Services DBS
11	September 25, 2009	\$19,000	Reeves Financial Services DBS
12	September 25, 2009	\$18,000	Reeves Financial Services DBS
13	September 25, 2009	\$12,000	Reeves Financial Services DBS
14	September 25, 2009	\$23,000	Reeves Financial Services DBS
15	September 25, 2009	\$14,000	Reeves Financial Services DBS
16	January 13, 2010	\$20,000	Reeves Financial Services DBS
17	January 13, 2010	\$20,000	Reeves Financial Services DBS
18	July 26, 2011	\$20,000	RFSI
TOTAL \$299,000			

22. Client GM, relying on what the Respondent told her, believed that the Respondent was purchasing GIC's at various credit unions on her behalf with the monies she provided to him.²⁶

²⁴ NOH at para. 9; and Capozzolo Affidavit at paras. 20j, 20l, and. 21-22, and Exhibit "13A"

²⁵ NOH at para. 10; and Capozzolo Affidavit at paras. 9, 20n and 23, and Exhibit "7"

²⁶ Capozzolo Affidavit at para. 20m

23. The Respondent and client GM completed the GIC Applications²⁷ containing details of the purchase of GICs.²⁸ The GIC Applications represented that client GM purchased a total of \$323,000 worth of GICs; that the GICs had maturity dates of 356-550 days, and that the value of the investments at maturity would be \$332,287.²⁹ The Applications were false documents, drafted by the Respondent.

24. The Respondent provided client GM with the Portfolio Summary³⁰ that referenced both FundEX and RWS, and represented that the various GICs were to mature in 2014, 2015, and 2016, and, represented that the total market value of the GICs as at April 8, 2014 was approximately \$336,484.³¹ In her interview with MFDA Staff, GM stated that that figure reasonably represents the monies that she had provided to the Respondent, plus compound interest.

25. During 2014, the Respondent also provided client GM, at her request, with the RSP Contribution Receipt³² purportedly issued by the Fort Erie Credit Union. The apparent signatory to the RSP Contribution Form at the Fort Erie Credit Union, Rebecca Havill, CEO, confirmed that the institution has no record of the RSP Contribution Receipt, which was a “fraudulent document”, and that her purported signature on the document was “forged”.³³ There was no valid account at the Fort Erie Credit Union, in GM's favour.

ii) Respondent's failure to repay or account for investments

26. For several months client GM had trouble contacting the Respondent when she was seeking to redeem a GIC she believed she held. In May 2014, client GM went directly to the First Ontario Credit Union and was advised that the GIC did not exist.³⁴

²⁷ “GIC Applications”, as defined at para. 20o of the Capozzolo Affidavit

²⁸ NOH at para. 11; and Capozzolo Affidavit at paras. 20o-p, 24 and 25

²⁹ NOH at paras. 11-12; and Capozzolo Affidavit at paras. 25

³⁰ Portfolio Summary”, as defined at para. 20s of the Capozzolo Affidavit

³¹ NOH at para. 12; and Capozzolo Affidavit at paras. 20s-t, and 26, and Exhibit “15”.

³² RSP Contribution Receipt”, as defined at para. 20q of the Capozzolo Affidavit

³³ NOH at para. 14; Capozzolo Affidavit at paras. 20q-r, 27, Exhibits “16” and “19”

³⁴ NOH at para. 13; Capozzolo Affidavit at para. 20u

27. Client GM approached the Respondent's parents seeking to speak with the Respondent. Counsel for the Respondent at the time sent client GM a letter advising her to cease and desist from making comments to third parties about the Respondent or his company, RFSI. Client GM demanded repayment of her monies.³⁵

28. There were no GICs at the institutions and the institutions never received funds on behalf of client GM as listed in the Portfolio Summary. The Capozzolo Affidavit describes the investigation conducted by MFDA staff, and confirmation received, in that regard. Client GM did not hold GICs at the financial institutions as reflected on the Portfolio Summary. There is no evidence that any of the GICs that GM was advised that she had purchased through the Respondent exist.³⁶

29. Approximately **\$312,000** remains outstanding to client GM and has not been accounted for.³⁷

30. The Respondent's request for compensation from the Member was declined, and a civil action was commenced and is ongoing.³⁸

31. The Respondent's actions have had a serious effect on client GM, who has stated:³⁹

"... he's taken my money. He was a friend, a friend of the family, he's devastated my daughter, he's walked away with her inheritance and he knows how desperate she'll need that money... he's destroyed my capacity to trust people ..."

Re: Client DA:

32. At all material times, Client DA was a client of FundEX since 2007, and whose accounts were serviced by the Respondent.⁴⁰ Client DA was a senior, and was employed with a modest income.⁴¹

³⁵ Capozzolo Affidavit at paras. 20v-x and 37-38, and Exhibit "24" and "25"

³⁶ NOH at para. 15; Capozzolo Affidavit at paras. 30-36, and Exhibits "18" to "23"

³⁷ NOH at para.16; Capozzolo Affidavit at paras. 20z and 40, and Exhibit "26E"

³⁸ Capozzolo Affidavit at paras. 43-44, and Exhibits "26B, C, and D"

³⁹ Capozzolo Affidavit at para. 20aa.

⁴⁰ NOH at para. 17; and Capozzolo Affidavit at paras. 46 and Exhibit "27A"

33. Client DA had no investment experience with mutual funds or other securities prior to investing with the Respondent.⁴² Client DA told the Respondent she wished to invest in low-risk investments and was saving for retirement.⁴³ She considered herself to have poor investment knowledge.⁴⁴

iii) Purported GIC's - Infinita

34. The Respondent approached client DA and advised her that her mutual fund investments were not performing well and recommended that she move her monies invested in mutual funds at FundEX into GICs she could purchase through the Respondent.⁴⁵ The Respondent had client DA redeem her mutual funds at FundEX in order to purchase GICs through the Respondent.⁴⁶ Her mutual funds were the proceeds of an inheritance she had received. The redemptions were deposited into the client's personal bank account.

35. Based on directions from the Respondent, client DA wrote cheques, from her bank account, payable to "Infinita", which the Respondent advised her was a "brokerage".⁴⁷

36. The Respondent was the sole director and officer of Infinita Capital Management Corporation ("Infinita"), a company incorporated in Ontario on August 9, 2010. Infinita was a company not registered in the securities industry in any capacity.⁴⁸

37. Between November 2011 and June 2013, the Respondent obtained from client DA 13 cheques totalling approximately **\$334,946**, each of which was payable to "Infinita", "Reeves Financial Services DBS" or "Reeves Financial".⁴⁹

⁴¹ Capozzolo Affidavit at paras. 48a-c and Exhibit "28"

⁴² Capozzolo Affidavit at paras. 48e-h

⁴³ Capozzolo Affidavit at paras. 48f-g

⁴⁴ Capozzolo Affidavit at para. 48h

⁴⁵ NOH at para. 18; and Capozzolo Affidavit at paras. 48j and 48q

⁴⁶ NOH at para. 18; and Capozzolo Affidavit at paras. 48i and 48n and 49, and Exhibit "29"

⁴⁷ NOH at para. 22; and Capozzolo Affidavit at paras. 48i-k

⁴⁸ NOH at para. 22; and Capozzolo Affidavit at paras. 57-60 and Exhibit "35"

⁴⁹ NOH at paras. 20-21; Capozzolo Affidavit at para. 53 and Exhibit "33"

38. Client DA believed she held GIC investments with financial institutions selected by Infinita. The Respondent did not advise client DA the name of the entities into which she was investing, and did not provide her with statements, until the Respondent, in response to DA's persistent requests in early 2014, provided her with a statement in April 2014.⁵⁰

39. The Infinita Statement⁵¹ purported to show client DA's investments at Infinita for the period January 2014 to March 2014.⁵² The Respondent reviewed the Infinita Statement with client DA.⁵³

40. The Infinita Statement:⁵⁴

- a) is on "Infinita Capital Management" letterhead;
- b) represents that client DA has a "non-registered (Tax deferral)" account;
- c) states that client DA's advisor is the Respondent;
- d) contains a misspelling in the title ("Quaterly Account Statement");
- e) purports to cover the period from January 1, 2014 to March 31, 2014;
- f) states that client DA holds in her portfolio with Infinita GICs issued by "Manulife Bank & Trust", and "Scotia bank Advisor";
- g) states: "*Thank you for choosing Infinita Capital Management – Canada's GIC Superstore!*";
- h) provides an internet address of infinitalcapital.com;
- i) makes representations about client DA's investments, including that as at March 31, 2014, the then current total value of her holdings was \$321,661.45; and
- j) provides that client DA had invested a total of \$305,159 when the investments were issued and an expected value at maturity of approximately \$361,383.

41. Infinita is not a company registered in the securities industry in Canada. Internet searches for the company did not yield any relevant results.⁵⁵

⁵⁰ Capozzolo Affidavit at paras. 48l, 48m, 48o, 48r, and 48s

⁵¹ "Infinita Statement" as defined at para. 48s of the Capozzolo Affidavit

⁵² Capozzolo Affidavit at paras. 48s and 55 and Exhibit "34"

⁵³ Capozzolo Affidavit at para. 48t

⁵⁴ Capozzolo Affidavit at para. 56 and Exhibit "34"

⁵⁵ Capozzolo Affidavit at paras. 57-60 and Exhibit "36"

iv) Respondent's failure to repay or account for investments

42. Client DA became suspicious when she tried to redeem \$3,000 from the Respondent with some difficulty in late April 2014. The Respondent did pay her the \$3,000.00 on June 4, 2014.

43. She asked the Respondent "what is Infinita" and the Respondent told her it was a "brokerage", and he stated that her money is "safe", and "don't worry about it".⁵⁶

44. Client DA made inquiries of the financial institutions outlined in the Infinita Statement and was told that she does not hold the investments outlined therein.⁵⁷

45. Staff investigation confirmed that Client DA was not a client of, nor did she hold accounts at, the financial institutions listed on the Infinita Statement. There is no evidence that the GICs, that DA purportedly purchased through the Respondent, exist.⁵⁸

46. Client DA did not know what the Respondent has done with her monies.⁵⁹

47. Client DA has sought the assistance of FSCO and law enforcement to recover her monies.⁶⁰

48. The approximate amount of **\$360,000** remains outstanding, and unaccounted for, by the Respondent.⁶¹

49. The Respondent's request for compensation from the Member was declined, and a civil action was commenced and is ongoing.⁶²

50. The monies client DA provided to the Respondent were from the proceeds of monies she had inherited.⁶³

⁵⁶ Capozzolo Affidavit at paras. 48v-w and para. 50 and Exhibit "30"

⁵⁷ Capozzolo Affidavit at para. 48u

⁵⁸ NOH at para. 25; and Capozzolo Affidavit at paras. 61-63 and Exhibits "37" to "39A"

⁵⁹ Capozzolo Affidavit at para. 48aa

⁶⁰ Capozzolo Affidavit at paras. 51-52 and Exhibits "31" and "32"

⁶¹ NOH at para. 26; and Capozzolo Affidavit at para. 66

⁶² Capozzolo Affidavit at paras. 64-65 and Exhibit "26D"

51. The matter has had a serious effect on client DA. When she realized her monies were gone, she went on medication under a doctor's care. Client DA has stated that it has "*destroyed [her] future.*"⁶⁴

Re: Client PV:

52. From January 2004, Client PV, and from March 2006, his professional corporation, were clients of FundEX whose accounts were serviced by the Respondent. Client PV is a medical doctor, and was a personal friend of the Respondent.⁶⁵

v) ***Protected notes - CIBC***

53. The Respondent recommended to client PV that he purchase an investment described as CIBC protected notes⁶⁶, which client PV did purchase over the course of 10 years, beginning in 2004.⁶⁷

54. The Respondent told client PV that the protected notes were similar to GICs in that the invested capital is guaranteed as long as the note is held to maturity and the investments would earn a reasonable rate of return.⁶⁸

55. To purchase the protected notes, the Respondent instructed PV to write cheques to "CIBC", drawn on the bank accounts of PV and his professional corporation (accounts held at another Canadian bank other than CIBC), and to write specific numbers in the memo line of the cheques. The numbers specified on the cheques were supposed to represent and identify client PV's, and PV's corporation's, protected notes accounts.⁶⁹ The numbers did not have any relevance with respect to the clients and were fictitious. Copies of the cheques (front and back) are contained at Tab 42 of the Capozzolo Affidavit.

⁶³ Capozzolo Affidavit at para. 48q

⁶⁴ Capozzolo Affidavit at paras. 48y-z

⁶⁵ NOH at para. 27; and 68a and c; and Exhibit "40B"

⁶⁶ "protected notes" as defined at paragraph 68d of the Capozzolo Affidavit

⁶⁷ Capozzolo Affidavit at paras. 68d and e

⁶⁸ NOH at para. 29; and Capozzolo Affidavit

⁶⁹ Capozzolo Affidavit at paras. 68g, 68i, 68k, 68m, and 69-71, and Exhibits "41" and "42"

56. Between June 2004 and March 2014, Client PV provided cheques totaling **\$580,000** to the Respondent for investment in the protected notes made payable to CIBC.⁷⁰ The money was new money and did not come from redemption of the clients' mutual funds.

57. The Respondent did not provide client PV with confirmation of the purchases of the protected notes.⁷¹

58. In September 2012, the Respondent sent a CIBC Statement to a person who prepared client PV's taxes that purported to be for the time period June 1, 2012 to March 31, 2012 in the name of the client **PV's professional corporation** showing current market value (March 31, 2012) of \$1,436,783.74.⁷²

59. The Respondent also provided client PV with CIBC Statements⁷³ in 2014.⁷⁴ This set of CIBC Statements purported to be for the period January 1, 2014 to March 31, 2014 and provided **the following representations:**⁷⁵

- a) both client PV and client PV's professional corporation are clients of CIBC Global Asset Management Inc. (CGAM);
- b) the Respondent is the advisor;
- c) between June 2006 and March 2014, client PV purchased 153 protected notes in the total amount of **\$1,550,202**, with a current value of \$1,889,260 for his **professional corporation's account**; and
- d) between August 2012 and December 2013, client PV purchased 29 protected notes in the amount of **\$453,192**, with a current value of \$495,664 in his **personal account**.

60. The Respondent told PV that he had invested in the protected notes as listed on the CIBC Statement.⁷⁶

⁷⁰ Capozzolo Affidavit at para. 71 and Exhibit "42"

⁷¹ Capozzolo Affidavit at para. 68n

⁷² Capozzolo Affidavit at para. 74, Exhibit "44"

⁷³ CIBC Statements, as defined at para. 68s of Capozzolo Affidavit

⁷⁴ Capozzolo Affidavit at paras. 68n and 68s, and 68q

⁷⁵ Capozzolo Affidavit at paras. 75-76 and Exhibit "45"

61. Client PV confirmed that these amounts are a reasonable reflection of the amounts he, and his personal corporation, had invested.⁷⁷

62. The CIBC Statements contained an apparent date error on the document, which client PV pointed out to the Respondent, who then sent client PV new CIBC Statements.⁷⁸

vi) *No record of CIBC deposits and no record of client PV being a client*

63. Client PV was informed that CIBC had no record of him at CIBC, and that the CIBC Statements were false.⁷⁹

64. Client PV and his professional corporation did not have accounts as described in the CIBC Statements. The entity listed on the CIBC Statements does not and did not offer the product types shown on the CIBC Statement, and does not and did not deal with financial services firms as intermediaries as displayed on the statements.⁸⁰

65. There is no evidence that any of the protected notes that client PV believed he had purchased through the Respondent, exist.⁸¹

66. Despite not having accounts, during the period specified in these CIBC Statements the Respondent continued to recommend that client PV invest in the protected notes, and client PV provided the Respondent with 6 cheques at \$10,000 each⁸² between January 2014 and March 2014.

vii) *Infinita*

⁷⁶ Capozzolo Affidavit at para. 68t

⁷⁷ NOH at para. 30; and Capozzolo Affidavit at para. 68u

⁷⁸ Capozzolo Affidavit at para. 77-79 and Exhibits “46”-“47”

⁷⁹ NOH at para. 31; and Capozzolo Affidavit at paras. 68l and 68p and 81 and Exhibit “48”

⁸⁰ Capozzolo Affidavit at paras. 82-83 and Exhibit “49” and “50A”

⁸¹ NOH at para. 32

⁸² Capozzolo Affidavit at para. 84 and Exhibit “50A and B”

67. In addition to the protected notes, while registered with FundEX, the Respondent discussed with client PV about investing in individual stocks as opposed to mutual funds. In response, Client PV agreed and understood that his investments in mutual funds were moved from FundEX to Infinita.⁸³

68. The Respondent told client PV to make cheques for investment payable to “Infinita Capital Management.”⁸⁴

69. Infinita was a company for which the Respondent was sole officer and director with a registered address of the Respondent’s Branch.⁸⁵

70. In 2012, Client PV requested from the Respondent a statement from Infinita. The Respondent confirmed to client PV that it had been mailed to him.⁸⁶

71. The Respondent provided client PV with an Infinita Statement of Account that represented:⁸⁷

- a) it is for the period March 1, 2012 and March 31, 2012;
- b) it pertains to an account of client **PV’s professional corporation**;
- c) under the heading “equity positions”, as of March 31, 2012, the account holds shares of large publicly traded companies with a market value of \$620,949 and a rate of return of 14.24%;
- d) under the heading “fixed income positions”, as of March 31, 2012, the account holds bonds in the Canada Housing Trust, the Government of Canada, and the Provinces of Ontario and Quebec, with a market value of \$255,422.81 and a rate of return of 2.17%; and
- e) the total account value of the Equity and Fixed Income positions, as well as cash, is \$945,903.46.

⁸³ NOH at para. 34, and Capozzolo Affidavit at para. 68x and 86

⁸⁴ Capozzolo Affidavit at para. 87 and Exhibit “51”

⁸⁵ Capozzolo Affidavit at para. 85

⁸⁶ Capozzolo Affidavit at paras. 91-93 and Exhibits “55” and “56”

⁸⁷ Capozzolo Affidavit at paras. 94- 95 and Exhibit “57”

72. Client PV met with the Respondent to go through his holdings in Infinita.⁸⁸ He never met with an Infinita representative, only the Respondent. The Respondent told client PV that it was the job of Infinita to select stocks and make recommendations. Client PV considered the stocks to be reasonable, and were in major companies that he recognized. He perceived it to be quite safe.⁸⁹

73. Client PV sought another opinion about his investment from other advisors, one of which advised PV that there was no evidence of a company called Infinita. PV told the Respondent that he was no longer comfortable with Infinita and the Respondent advised that he could move the client's investments to a different company, in particular to a company called "Adroit". Client PV agreed to move his investments to this company.⁹⁰

viii) Adroit Companies

74. The Respondent represented to client PV that PV had a representative at Adroit named Michael Simons. Client PV never met this person.⁹¹ The Respondent provided documents to client PV showing:⁹²

- a) Client PV received emails from a person with the title "Client Relationship Specialist" (Michael Simons) for Adroit Investment Management Inc., whom the Respondent advised client PV was his advisor;
- b) "Investment Policy Statements" on the letterhead of "Adroit Investment Management", which, among other things:
 - i. indicated that it was prepared for client PV and his corporation;
 - ii. contained Know Your Client information for client PV;
 - iii. contained recommendations for the purchase of investments consisting of shares and bonds of large publicly traded companies and banks;

⁸⁸ Capozzolo Affidavit at para. 68cc

⁸⁹ Capozzolo Affidavit at paras. 68dd-ff

⁹⁰ NOH at para. 35; and Capozzolo Affidavit at paras. 68y-aa, and 96 and Exhibit "58"

⁹¹ Capozzolo Affidavit at paras. 68hh and 108 and Exhibit "71"

⁹² NOH at paras. 39-40; and Capozzolo Affidavit at paras. 99-100, 106, 108, 109, and Exhibits "60B" to "64"

- iv. stated that the Investment Policy Statement was adopted on March 5, 2013, and signed by PV and the Respondent, as well as a person identified as a “Senior Investment Manager” of Adroit Investment Management Inc.; and
 - v. listed the Respondent as an “Investment Advisor” at RFSI.
- c) various documents on letterhead of “Adroit Investment Management” consisting of documents entitled Statement of Positions, Interim Statement of Positions, and Statement of Account (the “Adroit Investment Management Statements”). These documents contained the following representations:
- i. the Respondent was client PV’s “Investment Advisor”;
 - ii. client PV or his corporation held securities in various publicly traded companies; and
 - iii. client PV and his corporation together held investments totaling approximately \$2,011,386.98.

75. The Respondent represented to client PV that his investments were with Adroit Investment Management **Inc.**, an entity that is not registered in the securities industry, and for which internet searches have not yielded relevant results.⁹³ There is no evidence that this entity exists.⁹⁴

76. Adroit Investment **Ltd.** was a company registered in Alberta as an Investment Fund Manager.⁹⁵

77. Adroit Ventures Limited is a corporation which previously was named Reeves Life Associated General Agency Limited. The Respondent was the sole officer and director of the corporation.⁹⁶

⁹³ NOH at para. 36; Capozzolo Affidavit at paras. 99, 100, 102-104, and Exhibits “60B”, “61”, “62”, “63”, “64”, and “65”.

⁹⁴ NOH at para. 38

⁹⁵ Capozzolo Affidavit at para. 101 and Exhibit “65”

⁹⁶ Capozzolo Affidavit at para. 105 and Exhibit “68”

ix) Respondent's failure to repay or account for investments

78. On June 2014, representatives of the Canadian Western Bank issued a letter to the Respondent advising him, among other things, that RFS is making unauthorized use of trademarks belonging to it on Statements of Account, and that RFS is intentionally passing itself off as Adroit Investment Management Ltd. The letter demanded that the Respondent cease and desist from using such documents.⁹⁷

79. Client PV gave approximately \$2 million for investment in "Adroit".⁹⁸

80. To client PV's knowledge, he does not hold any of the stocks listed on the Statement of Positions.⁹⁹

81. There is no evidence that client PV or his professional corporation held accounts at Infinita or Adroit Investment Management Ltd., or Adroit Investment Management Inc.¹⁰⁰

82. PV's request for compensation from the Member was declined, and a civil action was commenced and is ongoing.¹⁰¹

83. The Respondent has failed to repay or otherwise account for the monies he received from client PV.¹⁰²

x) Direct deposit to account that did not belong to client PV

84. On at least 10 instances between 2010 and 2011, the Respondent directed FundEX to deposit redemptions totaling approximately \$359,437 from client PV's personal and corporate accounts at FundEX to a bank account that did not belong to client PV.¹⁰³

⁹⁷ NOH at para. 41; and Capozzolo Affidavit at paras. 113-116, and Exhibits "75" to "76"

⁹⁸ Capozzolo Affidavit at para. 68jj.

⁹⁹ Capozzolo Affidavit at para. 68ii

¹⁰⁰ NOH at para. 44

¹⁰¹ Capozzolo Affidavit at para. 127 and Exhibit "26D"

¹⁰² NOH at para. 45; and Capozzolo Affidavit at para. 128, and Exhibit "26E"

¹⁰³ NOH at paras. 46; and Capozzolo Affidavit at para. 117 and Exhibits "77" and "78A"

85. To process the redemptions, the Respondent provided FundEX with a void cheque that appeared to correspond to client PV's bank account when PV did not in fact hold such an account.¹⁰⁴

ALLEGATION # 3: SUMMARY - False statements and documents provided to clients:

86. The Respondent made statements and provided documents to clients DA, GM and PV, which he knew were false, misleading and therefore fraudulent, and misrepresented to the clients the amounts and whereabouts of their investments and monies.¹⁰⁵ Such documents included:

- a) GM:
 - i. the GIC Applications;¹⁰⁶
 - ii. the RSP Contribution Receipt;¹⁰⁷
 - iii. the Portfolio Summary;¹⁰⁸ and
- b) DA:
 - i. the Infinita Statement;¹⁰⁹ and
- c) PV:
 - i. The CIBC Statements,¹¹⁰
 - ii. the Adroit Investment Management Statements (Interim Statement of Positions);¹¹¹ and
 - iii. the Investment Policy Statement.¹¹²

ALLEGATION #4: Unapproved outside business activities

87. While registered with FundEX, the Respondent operated several outside business activities which he did not disclose to or receive approval from FundEX to operate.¹¹³

¹⁰⁴ Capozzolo Affidavit at paras. 118-125 and Exhibits "79" and "26D"

¹⁰⁵ NOH at paras. 50-51

¹⁰⁶ Capozzolo Affidavit at para. 20o-p and 24-25, and Exhibit "14"

¹⁰⁷ Capozzolo Affidavit at paras. 20q-r and 27-30 and Exhibits "16" to "23"

¹⁰⁸ Capozzolo Affidavit at paras. 20s-t and 26, and Exhibit 15

¹⁰⁹ Capozzolo Affidavit at paras. 48s-t, 55-56, and 61-63 and Exhibits "34" and "37"- "39A"

¹¹⁰ Capozzolo Affidavit at paras. 68s-w, 72-79, 81-84 and Exhibits "43"- "47", and "48" to "50B"

¹¹¹ Capozzolo Affidavit at paras. 100, and 113-116, and Exhibits "61"- "64", and "75 -"76"

¹¹² Capozzolo Affidavit at para. 99 and Exhibit "60B"

¹¹³ NOH at para. 53; and Capozzolo Affidavit at para. 2 and Exhibit "1".

88. On May 9, 2014, FundEX representatives conducted an unannounced branch visit at the Respondent's branch office location, at which time signs for the following companies at the branch office were posted:¹¹⁴

- a) Reeves Financial Group;
- b) Reeves Group Solutions Limited;
- c) Reeves Mortgage Solutions Inc.;
- d) Reeves Private Wealth Inc.;
- e) Reeves Portfolio Management Inc.; and
- f) Reeves Financial Charitable Foundation.

89. While registered as a mutual fund salesperson with FundEX, the Respondent was listed as an officer and/or director for each of the above listed corporations. The Respondent did not disclose to or obtain approval from FundEX to operate these corporations.¹¹⁵

90. In addition to the above listed corporations, the Respondent was either an officer and/or director of the following corporations, none of which he disclosed to or obtained approval from FundEX to operate:¹¹⁶

- a) Reeves Financial Advisors Limited;
- b) TPR Wind Energy Distribution Inc.; and
- c) Infinita Capital Management Corporation.

91. FundEX terminated the Member by letter dated May 12, 2014, in part, for failing to disclose to FundEX his outside business activities.¹¹⁷

¹¹⁴ NOH at para. 54; and Capozzolo Affidavit at paras. 16 and 129-132 and Exhibits "80" – "85"

Signs for the entities RWS and RFS were also located at the Branch, which were trade names approved for use by the Respondent.

¹¹⁵ NOH at paras. 54-55; and Capozzolo Affidavit at paras. 134-135

¹¹⁶ NOH at para. 56; and Capozzolo Affidavit at paras. 133-134.

¹¹⁷ Capozzolo Affidavit at paras. 11 and 135, and Exhibit "9"

ANALYSIS AND DECISION:

Allegations #1, #2, and #3

a) Standard of Conduct

92. Rule 2.1.1 sets the standard of conduct expected of Approved Persons in the mutual fund industry. It provides¹¹⁸:

2.1.1 Standard of Conduct. Each Member and each Approved Person of a Member shall:

- (a) deal fairly, honestly and in good faith with its clients;
- (b) observe high standards of ethics and conduct in the transaction of business;
- (c) not engage in any business conduct or practice which is unbecoming or detrimental to the public interest; and
- (d) be of such character and business repute and have such experience and training as is consistent with the standards described in this Rule 2.1.1, or as may be prescribed by the Corporation.

93. MFDA Hearing Panels have consistently held that where an Approved Person solicits and accepts monies from a client, and fails to pay back or otherwise account for the monies, the Approved Person engages in conduct that is contrary to MFDA Rule 2.1.1. The decisions contained in the Book of Authorities, provided by MFDA Staff to the Panel, confirm that.

94. Rule 2.1.4 addresses the requirement that an Approved Person must avoid conflicts of interest with a client, and where such conflict or potential conflict arises, the Approved Person shall immediately notify the Member and take steps to eliminate the conflict. Rule 1.1.1. requires that the Approved Person not engage in any securities related business except through the facilities of the Member, and for the account of the Member. The Respondent violated those Rules.

95. The Panel is satisfied that Allegations #1, #2, and #3 have been proven, on balance of probabilities. It is clear on the evidence that the Respondent, over a number of years solicited

¹¹⁸ MFDA Rule 2.1.1, Staff's Book of Authorities, Tab 9

funds from three clients and then heartlessly, and continuously, embezzled the funds. He deposited the funds in accounts that were controlled by him. The substantial funds provided to him by the clients have never been returned to the clients, either in whole or in part. With respect to those clients, he was acting outside the facilities of the Member. The three clients were personal friends of the Respondent and clients GM and DA were elderly, of modest income, and very reliant upon the prospect of liquidity in retirement. Client GM expressed that the Respondent's actions have made her lose her trust in people, and that her daughter is devastated by the loss of her inheritance. The Respondent's conduct caused great stress to both GM and DA. The three clients placed their trust in the Respondent to recommend and acquire suitable investments to preserve and expand their investment portfolios. They subjected the Respondent to minimal scrutiny, trusting their friendship and the Respondent's oral and documentary representations. The Respondent, in order to keep the clients in the dark, drafted and provided to them false and misleading documents, summarized in paragraph 85 above, designed to thwart discovery of his misconduct, and to enable continuation of his malpractice. He continuously misrepresented to the clients the amounts and whereabouts of their fictitious investments. The total amount lost by the three clients approached five million dollars. There is no evidence as to what the Respondent did with the monies received from the clients. There is evidence that he declared personal bankruptcy in mid-2014.

96. Also, with respect to Allegation #2 the Panel finds that the Respondent, in order to affect redemptions from Client PV's account at the Member, presented to the Member a void cheque that he falsely represented to the Member as representing the particulars of the client's account into which the redemptions were to be paid. The redemptions were paid into that account. The account did not belong to the client. That conduct, *inter alia*, violated Rule 2.1.1.

Allegation #4:

97. MFDA Hearing Panels have consistently found that engaging in gainful occupation outside the business of the Member without so advising the Member and obtaining the approval of the Member, contrary to MFDA Rule 1.2.1.(d)(iii)¹¹⁹, is a serious offence. This Rule seeks to

¹¹⁹ Prior to February 22, 2011, MFDA Rule 1.2.1(c) was numbered as MFDA Rule 1.2.1(d), Staff's Book of Authorities, Tab 17

ensure that securities legislation and internal procedures are being complied with; clients are aware that the outside activity is not the business or responsibility of the Member; any actual or potential conflicts of interest are dealt with appropriately; and the MFDA, its Members, and the mutual fund industry are not being brought into disrepute by way of improper or inappropriate outside business activities carried on by Approved Persons.

98. The Respondent, during the period he was registered with FundEX, operated several outside business activities which he did not disclose to, or receive approval from, FundEX to operate. Such companies included those found on a sign at the Respondent's Branch when the Member attended for an unannounced visit on May 9, 2014, and additional entities. The outside business activities are summarized in paragraphs 86 to 90 above.

99. The Respondent was an officer and/or director for the various entities.

PENALTY:

Relevant Factors:

100. The conduct of the Respondent was clearly reprehensible. The clients were his friends, and two of them were elderly, and highly dependent upon the preservation of their funds. Not only did the Respondent's conduct impact the clients significantly, it also potentially seriously undermines the confidence that the investment industry continuously strives to impart to the investing public. The Respondent's actions are the types that cause severe damage to the integrity of the Capital Markets.

101. The Respondent failed to co-operate in the MFDA investigation, and that factor is relevant to the issue of penalty. The Panel, however, concedes that the Respondent may have decided to not co-operate with the investigation, as such co-operation might impact his right to silence in connection with pending criminal prosecution, relevant to the same facts.

102. The Respondent had not previously been involved in any industry disciplinary proceedings.

103. The misconduct took place over a number of years, and was carefully planned. There is no evidence before the Panel that the Respondent has any remorse for his conduct.

104. The Respondent has not made any restitution to the victims, beyond the \$3,000.00 paid to client DA, in June 2014.

105. Where an Approved Person conducts outside business without disclosure to, and approval from, the Member, such conduct severely impacts the confidence of participants in the Capital Markets, as it undermines the requisite perception that the Capital Markets operate within a closely regulated and controlled environment.

106. The Submissions of Counsel provided by MFDA counsel, contained the following chart referencing the cited decisions as follows:

Case	Summary of conduct	Penalty
<i>Latour</i> (Re) 2015 ¹²⁰	Respondent solicited and accepted a total of at least \$651,946 from at least 3 clients, which he failed to return or otherwise account for, and failed to cooperate with Staff's investigation.	Penalty portion is not complete.
<i>Yoannou</i> (Re) 2013 ¹²¹ Tab 10	Respondent misappropriated at least \$6,000,000 from clients and other individuals, and failed to cooperate with Staff.	(1) permanent prohibition; (2) \$6,000,000 fine re misappropriation; (3) \$50,000 re failure to cooperate 2; and (4) costs of \$7,500.
<i>Chan</i> (Re) 2013 ¹²² Tab 11	Respondent misappropriated approximately \$754,340 Canadian and \$94,200 USD from at least 18 clients.	(1) permanent prohibition; (2) \$650,000 fine; and (3) costs of \$5,000.
<i>Headley</i> (Re) 2006 ¹²³	Respondent misappropriated	(1) permanent prohibition; (2)

¹²⁰ *Latour*, Staff's Book of Authorities, Tab 6

¹²¹ *Yoannou* (Re), (2013) Reasons for Decision of a Hearing Panel of the Central Regional Council dated May 8, 2013, MFDA File No. 201235, Staff's Book of Authorities, Tab 10

¹²² *Chan* (Re), (2013) Reasons for Decision of a Hearing Panel of the Pacific Regional Council dated October 29, 2013, MFDA File No. 201257, Staff's Book of Authorities, Tab 11

¹²³ *Headley* (Re), (2006) MFDA, Hearing Panel Decision of the Ontario Regional Council dated February 21, 2006, MFDA File No. 200509 Staff's Book of Authorities, Tab 12

Case	Summary of conduct	Penalty
Tab 12	approximately \$155,000 from two clients and failed to return or truthfully account for these. He also failed to cooperate.	\$100,000 re misappropriation; and (3) \$50,000 for failing to cooperate.
Parkinson (Re) 2005 ¹²⁴ Tab 13	The Respondent solicited and accepted \$314,000 from clients and failed to return or otherwise account for the monies. The Respondent provided false account statements and forms to clients. The Respondent also failed to cooperate with Staff's investigation.	(1) permanent prohibition; (2) a total \$375,000 fine; and (3) costs of \$7,500.
Longchamps (Re) 2010 ¹²⁵ Tab 14	ML solicited and accepting from 22 clients at least \$1,594,332.22 to invest on their behalf, and failing to repay or otherwise account for all but \$96,484.56 of the monies. Failed to cooperate with Staff. JL continued in a dual occupation.	(1) permanent prohibition; (2) ML – fine of \$1,597,843; (3) JL – fine of \$848,921; (4) costs of \$10,000
Vilfort (Re) 2010 ¹²⁶ Tab 15	The Respondent misappropriated a total of \$11,719 from three clients, and failed to return client information and files in his possession.	(1) permanent prohibition; (2) total fine of \$35,000; and (3) costs of \$10,000.

107. MFDA counsel also filed the Book of Authorities containing the full text of those decisions.

108. With respect to costs, the MFDA investigation was extensive, and the preparation of the evidence, and submissions for the Hearing, was heavy.

¹²⁴ *Parkinson* (Re), (2005) Decision and Reasons of a Hearing Panel of the Ontario Regional Council dated April 29, 2005, MFDA File No. 200501, Staff's Book of Authorities, Tab 13

¹²⁵ *Longchamps* (Re), (2010) Reasons for Decision of a Hearing Panel of the Central Regional Council dated September 22, 2010, MFDA File No. 200829, and Hearing Panel Order dated January 28, 2010, Staff's Book of Authorities, Tab 14

¹²⁶ *Vilfort* (Re) (2010), Reasons for Decision of a Hearing Panel of the Central Regional Council dated December 15, 2010, MFDA File No. 201021, Staff's Book of Authorities, Tab 15

109. The Panel has decided that the appropriate penalty is as follows:

- a) a permanent prohibition on the authority of the Respondent to conduct securities related business in any capacity;
- b) a fine in the amount of \$4,500,000.00; and
- c) costs in the amount of \$10,000.00.

DATED this 7th day of March, 2017.

“H. Michael Kelly”

H. Michael Kelly, Q.C.
Chair

“Kenneth P. Mann”

Kenneth P. Mann
Industry Representative

“Robert C. White”

Robert C. White
Industry Representative

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