



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

**IN THE MATTER OF A SETTLEMENT HEARING  
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF  
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

**Re: Nathan Hersh Disenhouse**

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**SETTLEMENT AGREEMENT**

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**I. INTRODUCTION**

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Central Regional Council (the “Hearing Panel”) of the MFDA should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and the Respondent, Nathan Hersh Disenhouse.

**II. JOINT SETTLEMENT RECOMMENDATION**

2. Staff conducted an investigation of the Respondent’s activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No.1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent

agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

### **III. ACKNOWLEDGEMENT**

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX herein) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

### **IV. AGREED FACTS**

#### **Registration History**

6. From December 1, 1998 to June 27, 2008, the Respondent was registered in Alberta and Ontario as a mutual fund salesperson and branch manager with IPC Investment Corporation (“IPC”). The Respondent’s branch was located in Toronto, Ontario.

7. The Respondent was previously registered in Alberta and Ontario as follows:

- i. February 1994 to December 1998: as a mutual fund salesperson and branch manager with Multi Mutual Inc.; and
- ii. October 1990 to February 1994: as a mutual fund salesperson with Counsel Financial Service.

8. IPC became a member of the MFDA on March 8, 2002.

9. On June 20, 2008, Mr. Disenhouse terminated his relationship with IPC, effective June 27, 2008. On June 27, 2008, IPC terminated the Respondent's registration.

10. At the material time and currently, the Respondent was licensed to sell life insurance. His managing general agent was and is PanFinancial Insurance Agencies Ltd.

11. The Respondent is 51 years old, and is not currently registered in the securities industry in any capacity.

12. The Respondent has no prior disciplinary history with the MFDA.

### **The Maypoint Debentures**

13. Maypoint Investments Inc. ("Maypoint") is an Ontario company incorporated on July 14, 2004.

14. At the material time, Maypoint purportedly carried on business raising funds through the sale of debentures ("Maypoint debentures") to investors. The Maypoint debentures were for a term of approximately one year, required a minimum investment of \$25,000, and promised to pay investors 14% annually.

15. The Maypoint debentures were sold by way of an offering memorandum in reliance upon the exemptions from the prospectus and registration requirements in the *Securities Act* (Ontario).

16. The proceeds from the sale of the Maypoint debentures were purportedly invested by Maypoint in the secured notes of an entity known as GTA Financial Inc. ("GTA"), which in turn purportedly used the proceeds to advance consumer loans to individuals to finance the purchase of used vehicles. GTA filed for bankruptcy on June 9, 2006.

17. The Maypoint debentures were sold to investors in Ontario through a limited market dealer, PanFin Equicap Ltd.

18. In September 2004, the Respondent met with a principal of Maypoint and learned of the Maypoint investment. The Respondent then attended a Maypoint presentation, learned further details about the Maypoint investment, and received documentation including a detailed Term Sheet, Subscription Agreement with attached Accredited Investor form, and a Client Acknowledgement form.

19. On September 15, 2004, the Respondent personally invested \$30,000 in a Maypoint debenture. Mr. Disenhouse purchased his Maypoint debenture pursuant to the same Offering Memorandum and disclosure documentation as all other investors. His \$30,000 investment in Maypoint reflected his belief that it was a viable investment, and suitable for qualified investors.

20. As is set out in the chart below, over a period of approximately one year, between October 8, 2004 and October 1, 2005, the Respondent sold, referred, or facilitated the sale of a total of \$730,000 of the Maypoint debentures to 18 investors. Of the 18 investors (some of whom invested jointly), 11 were clients of IPC.

	<b>Investor</b>	<b>Transaction Date</b>	<b>Investment Amount</b>
	Nathan Disenhouse	September 15, 2004	(\$30,000)
1.	Client JW	October 8, 2004	\$25,000
2.	Client AL	October 12, 2004	\$25,000
3.	DP	October 29, 2004	\$25,000
4.	Client TL	November 9, 2004	\$50,000
5.	FE	November 25, 2004	\$25,000
6.	Clients MC & FC	January 4, 2005	\$50,000
7.	AP & FP	January 4, 2005	\$25,000
8.	Client RG	January 24, 2005	\$25,000
9.	Client SM	January 26, 2005	\$50,000
10.	Client MC	January 27, 2005	\$25,000
11.	CF & HK	February 18, 2005	\$25,000
12.	HK	February 18, 2005	\$25,000
13.	Client RT	February 18, 2005	\$100,000
14.	EP	March 4, 2005	\$25,000
	Client TL	May 4, 2005	\$50,000
	Client AL	June 17, 2005	\$25,000
15.	Client JC	July 14, 2005	\$50,000
16.	JJ & EJ	July 14, 2005	\$30,000
17.	Clients WK & ZK	August 29, 2005	\$50,000
18.	Client IK & JK	October 1, 2005	\$25,000
		<b>Total Invested</b>	<b>\$730,000</b>

21. The Respondent entered into a written referral agreement regarding his Maypoint activities. The Respondent states that he believed he could enter into the referral agreement pursuant to his insurance registration. Maypoint documentation identified the “Agent” (Mr. Disenhouse’s company Panfinancial Investments Inc.) as a licensed Life Insurance Agent in Ontario, thus reflecting Mr. Disenhouse’s belief.

22. The Respondent received referral fees for each investment made in the Maypoint debentures, including his own. In total, he earned \$8,320 in commissions or referral fees.

23. At no time did the Respondent disclose to or seek approval from IPC to engage in the activity described above with respect to Maypoint.

24. IPC was not aware that the Respondent was involved in the sale or referral of the Maypoint debentures. Neither the sales or referrals of the Maypoint debentures nor the resulting commissions or referral fees received by the Respondent were carried on for the account of, or through the facilities of, the Member.

25. Maypoint remains incorporated but the Maypoint debentures have not paid interest or returned invested capital to investors since 2007, and there is no prospect of it doing so. However, Maypoint debenture holders are the beneficiaries of a general security agreement over the assets of GTA. Following GTA’s bankruptcy in June 2006, GTA’s assets, including a portfolio of consumer loans, were purchased by SourceOne Capital Financial Services Inc. (“SourceOne”). Those assets are now being administered by SourceOne. Maypoint investors have not, to date, recovered any amounts through this process.

### **Conflict of Interest**

26. Between October 2004 and October 2005, the Respondent was a shareholder in Glenside Holdings Inc. (“Glenside”), a corporation which was, in turn, the sole shareholder of Maypoint.

27. The Respondent advised Maypoint investors that he was, like them, an investor in Maypoint, but he did not at any time disclose to them that he had an ownership interest in Maypoint by virtue of the fact that he was a Glenside shareholder.

28. The Respondent did not at any time disclose to IPC that he was a shareholder of Glenside, nor did he disclose to IPC the existence of Glenside, or Glenside's relationship to Maypoint.

### **Referrals to Gilles R. Marceau & Associates Inc.**

29. On March 7, 2005, the Respondent entered into a referral agreement with Gilles R. Marceau and Associates Inc. ("GMA") ("Referral Agreement"), a pension plan consulting firm that establishes and administers pension plans for its clients. The Respondent managed the pension plan assets once the plan was established by GMA.

30. Each GMA client paid an annual fee of \$1,500 for the pension plan services. Pursuant to the terms of the Referral Agreement, 50% of the annual fee was paid to the Respondent. Clients were advised of this payment arrangement in writing.

31. The Respondent referred three IPC corporate clients to GMA: PC Inc., AGDP Inc., and BBHP, and was paid a total of \$3,750 in referral fees.

32. The Respondent's referrals to GMA started in 2005; however, the Respondent did not disclose to or seek approval from IPC for his GMA activities. IPC learned of the Respondent's GMA activities on or about November 12, 2007, during a review of the branch for which the Respondent was Branch Manager.

### **Pre-signed Forms**

33. On February 3, 2006, IPC conducted a branch review of the branch for which the Respondent was the Branch Manager ("Respondent's Branch"), wherein it was found that:

- i. In the sample of 29 client files for which the Respondent was the mutual fund salesperson responsible for the account, certain of the files showed trades that had been processed in the client accounts, but none of the client files contained trading authorization forms that displayed original client signatures; and
- ii. Two client files contained blank, signed mutual fund trading documents with no trading instructions or date completed.

34. On May 29, 2006, as a result of the findings of the IPC branch review, IPC placed the Respondent on strict supervision, reduced his commissions, and instructed him to obtain specific client instructions and maintain adequate records of each trade order and instruction. IPC assigned the Respondent's Branch a high risk ranking. IPC reminded the Respondent of the requirement to obtain original client signatures on IPC order entry forms and letters of direction concerning trading activity in client accounts. The Respondent was subsequently able to satisfy IPC that the clients had approved the trades in question.

35. On August 29, 2006, IPC conducted a follow-up review of the Respondent's branch. IPC reduced the high risk ranking assigned to the branch. Effective September 1, 2006, the Respondent's strict supervision was removed and his commissions reinstated.

36. On November 12, 2007, IPC conducted a review of the Respondent's Branch, wherein it was noted that in a review of client files for which the Respondent was the mutual fund salesperson responsible for the account:

- i. One client file did not contain evidence of client trade authorization; and
- ii. One client file contained evidence that the Respondent had used a photocopy of a blank, signed order entry form to process a trade in a client's account.

37. Subsequent to the November 12, 2007 review of the Respondent's Branch, IPC found that another of the Respondent's client's files, belonging to client BA ("BA"), contained an IPC order entry form, and a financial account change form, each of which contained BA's signature but no trade instructions.

38. On April 15, 2008, IPC again placed the Respondent on strict supervision and reduced his commissions. The Respondent's Branch was assigned a high risk ranking.

39. On April 22, 2008, the Respondent signed an Acknowledgment issued by IPC regarding the prohibition on discretionary trading and pre-signed forms, and confirming the Respondent's agreement not to engage in such practices in future.

## V. CONTRAVENTIONS

40. The Respondent admits that:

i. Between October 2004 and October 2005, he 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, referring, or facilitating the sale of \$730,000 of an investment product to 18 individuals, 11 of whom were clients, when that investment product had not been approved for sale by the Member, contrary to MFDA Rules 1.1.1, 2.1.1, and 2.4.2;

ii. He did not disclose to investors in the above-noted investment product that he was a shareholder in the company which was, in turn, the sole shareholder of the company offering the investment product, thereby placing his own interests above those of the investors and giving rise to an actual or potential conflict of interest which he failed to address by the exercise of responsible business judgment influenced only by the best interests of the investors, contrary to MFDA Rules 2.1.1 and 2.1.4;

iii. Between 2005 and 2007, he engaged in a dual occupation that was not disclosed to and approved by the Member by entering into a referral agreement and referring clients to a third party that administered pension plans, contrary to MFDA Rules 1.2.1(d), 2.1.1, and 2.4.2; and

iv. Between February 2006 and 2007, he obtained and maintained blank, pre-signed trading forms in client files and used such forms to process a trade in at least one client account, thereby:

(a) failing to comply with the Member's express directions that he obtain original client signatures on trading authorization forms, contrary to MFDA Rules 1.1.2 and 2.5.1; and

(b) engaging in business conduct or practice that was unbecoming, contrary to MFDA Rule 2.1.1.

## **VI. TERMS OF SETTLEMENT**

41. The Respondent agrees to the following terms of settlement:

- i. The Respondent shall be suspended for a period of 10 years, commencing from the date the Settlement Agreement is accepted by the Hearing Panel, from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member, pursuant to section 24.1.1(c) of MFDA By-law No. 1;
- ii. The Respondent shall pay a fine in the amount of \$15,000.00, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
- iii. The Respondent shall pay costs in the amount of \$5,000.00, pursuant to section 24.2 of MFDA By-law No. 1; and
- iv. The Respondent shall attend in person at the Settlement Hearing.

## **VII. STAFF COMMITMENT**

42. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the facts set out in Part IV and the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in Parts IV and V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and V, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

## **VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT**

43. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on Friday, June 18, 2010 at 9:30 a.m., as agreed to by counsel for Staff and counsel for the Respondent.

44. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive his rights to a full hearing, a review hearing before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction.

45. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

46. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

## **IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT**

47. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under the By-laws of the MFDA

against the Respondent based on, but not limited to, the facts set out in Part IV of the Settlement Agreement, as well as the breach of the Settlement Agreement.

## **X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT**

48. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule "A" is not made by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

49. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

## **XI. DISCLOSURE OF AGREEMENT**

50. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law.

51. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

**XII. EXECUTION OF SETTLEMENT AGREEMENT**

52. This Settlement Agreement may be signed in one or more counterparts, which together, shall constitute a binding agreement.

53. A facsimile copy of any signature shall be effective as an original signature.

Dated: June 16, 2010

Witness Signature: “Michael Meredith”

“Nathan Disenhouse”  
Nathan Hersh Disenhouse

Witness Name (print): Michael Meredith

“Shaun Devlin”  
Staff of the MFDA  
Per: Shaun Devlin  
Vice-President, Enforcement



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

**IN THE MATTER OF A SETTLEMENT HEARING  
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF  
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

**Re: Nathan Hersh Disenhouse**

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**ORDER**

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**WHEREAS** on \_\_\_\_\_, the Mutual Fund Dealers Association of Canada ("MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of Nathan Hersh Disenhouse ("Respondent");

**AND WHEREAS** the Respondent entered into a settlement agreement with Staff of the MFDA, dated June 16, 2010 ("Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of By-law No. 1;

**AND WHEREAS** the Respondent has delivered certified cheques to the MFDA in the amounts of \$15,000.00 and \$5,000.00 representing the fine and costs amounts to be paid, being held in escrow by the MFDA pending acceptance of the Settlement Agreement;

**AND WHEREAS** the Hearing Panel is of the opinion that:

i. Between October 2004 and October 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, referring, or facilitating the sale of \$730,000 of an investment product to 18 individuals, 11 of whom were clients, when that investment product had not been approved for sale by the Member, contrary to MFDA Rules 1.1.1, 2.1.1, and 2.4.2;

ii. The Respondent did not disclose to investors in the above-noted investment product that he was a shareholder in the company which was, in turn, the sole shareholder of the company offering the investment product, thereby placing his own interests above those of the investors and giving rise to an actual or potential conflict of interest which he failed to address by the exercise of responsible business judgment influenced only by the best interests of the investors, contrary to MFDA Rules 2.1.1 and 2.1.4;

iii. Between 2005 and 2007, the Respondent engaged in a dual occupation that was not disclosed to and approved by the Member by entering into a referral agreement and referring clients to a third party that administered pension plans, contrary to MFDA Rules 1.2.1(d), 2.1.1, and 2.4.2; and

iv. Between February 2006 and 2007, the Respondent obtained and maintained blank, pre-signed trading forms in client files and used such forms to process a trade in at least one client account, thereby:

(a) failing to comply with the Member's express directions that he obtain original client signatures on trading authorization forms, contrary to MFDA Rules 1.1.2 and 2.5.1; and

(b) engaging in business conduct or practice that was unbecoming, contrary to MFDA Rule 2.1.1.

**IT IS HEREBY ORDERED THAT** the Settlement Agreement is accepted, as a consequence of which:

1. The Respondent shall be suspended for a period of 10 years, commencing from the date the Settlement Agreement is accepted by the Hearing Panel, from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member effective from the date of this Order, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
2. The Respondent shall pay a fine in the amount of \$15,000.00, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
3. The Respondent shall pay costs in the amount of \$5,000.00, pursuant to section 24.2 of MFDA By-law No. 1; and
4. If at any time a non-party to this proceeding requests production of or access to exhibits in this proceeding that contain intimate financial or personal information, the Corporate Secretary shall prepare copies of the requested exhibits, redact any and all intimate financial or personal information therefrom, and provide the redacted copies to the non-party, pursuant to Rules 1.8(2) and (5) of the MFDA Rules of Procedure;

**DATED** this 18<sup>th</sup> day of June, 2010.

Per: \_\_\_\_\_

The Honourable John W. Morden, Chair

Per: \_\_\_\_\_

Robert C. White, Industry Representative

Per: \_\_\_\_\_

Selwyn Kossuth, Industry Representative

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