



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: PDQ Financial Services Inc. and Cesidio (“Sid”) Negri

SETTLEMENT AGREEMENT

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.

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 XI) 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. Negri has been registered in Ontario as a mutual fund salesperson and in other capacities as described more particularly below since May 1997.

7. Commencing November 13, 2006, Negri was registered as mutual fund salesperson with Agora Financial Services Inc. (“Agora”), a Member of the MFDA. In March 2007, holding companies owned and controlled by Negri and his brother-in-law RT, acquired Agora and changed its name to PDQ.

8. Commencing April 11, 2007, Negri was registered in Ontario as an officer (President), director, designated compliance officer and shareholder of PDQ, in addition to his registration as

a mutual fund salesperson. During the period when PDQ was operating as a mutual fund dealer, Negri was also the Chief Executive Officer (“CEO”) of PDQ.

9. Commencing on February 18, 2010, Negri was registered as a dealing representative (formerly “mutual fund salesperson”) and as the Ultimate Designated Person (“UDP”) and Chief Compliance Officer (“CCO”) of PDQ.

10. On November 23, 2010, PDQ was registered in Ontario as an exempt market dealer (in addition to its registration as a mutual fund dealer).

11. Negri ceased to be registered as the President of PDQ on April 19, 2012 when another Approved Person, PS, became registered as the President. Negri continued to be registered as a dealing representative, UDP and CCO of PDQ.

12. In August 2012, MFDA Staff informed the Respondents that MFDA Staff was contemplating the commencement of an application for an interim order of a Hearing Panel pursuant to s. 24.3 of MFDA By-law No. 1 in light of serious concerns, described in greater detail below, about the financial and operating condition of PDQ.

13. On August 29, 2012, MFDA Staff and the Respondents signed an Agreement and Undertaking, pursuant to which, among other requirements, all expenses, payments and withdrawals made from the bank accounts of PDQ had to be pre-approved by PS and PS became responsible for all financial filings to the MFDA, including PDQ’s monthly Form 1 filings. PDQ also agreed that within 14 days it would provide a plan to restore its minimum required capital or arrange for the orderly transfer of accounts to another MFDA Member.

14. Following the execution of the Agreement and Undertaking, PDQ submitted a letter of intention to resign from membership in the MFDA and requested approval to transfer its Approved Persons and client accounts to Portfolio Strategies Corporation, a Member of the MFDA. That process was completed in November 2012, at which time PDQ ceased to operate as a going concern.

15. Since November 2012, Negri has been registered in Ontario as a dealing representative (only) with Portfolio Strategies Corporation.

Minimum Capital Requirements and History of PDQ

16. Between March 2007 and August 2012¹, while Negri was, among other things, the President and designated compliance officer of PDQ, he was responsible for, among other things, ensuring PDQ's compliance with its regulatory obligations, including maintaining minimum capital and monthly and annual financial reporting to the MFDA.

17. Since PDQ was acquired by Negri in March 2007, PDQ has rarely operated at a profit.² According to the financial reports that PDQ was required to file with the MFDA:

- a) during the calendar year 2007, Agora/PDQ reported net losses in 9 of 12 months and a total loss for the year of \$47,539;
- b) during the calendar year 2008, PDQ reported net losses in 8 of 12 months, however PDQ reported positive net income for the year of \$16,208;
- c) during the calendar year 2009, PDQ reported net losses in 6 of 12 months and a total loss for the year of \$53,011;
- d) during the calendar year 2010, PDQ reported net losses in 9 of 12 months and a total loss for the year of \$44,453;
- e) during the calendar year 2011, PDQ reported net losses in 10 of 12 months and a total loss for the year of \$82,407; and;
- f) during the calendar year 2012, PDQ reported net losses in 9 of the first 11 months of the year and a total loss of \$89,472 as of November 30, 2012.

18. As a consequence of its financial difficulties, PDQ was designated in early warning by MFDA Staff and made subject to the requirements set out in MFDA Rule 3.4.2(b)(iv) during the following periods:

- a) August 2007 – August 2008;

¹ As described in the Registration History section above, in August 2012, as a result of the same regulatory concerns that are being addressed in this proceeding, as an interim measure, the MFDA entered into an Agreement and Undertaking with the Respondents that among other things required Negri to transfer control and responsibility for the regulatory obligations of PDQ (including financial reporting) to PS.

² Profit meaning that PDQ's operating revenues and incomes for the period exceeded its operating expenses.

b) May 14, 2009;³ and

c) continuously since September 2, 2009.

19. PDQ is designated as a Level II Member of the MFDA for the purposes of determining its minimum capital. In accordance with MFDA Rule 3.1.1, a Level II Member of the MFDA must maintain minimum capital of \$50,000 and risk adjusted capital (“RAC”) greater than zero at all times.

20. Between March 2007, when Negri acquired PDQ, and November 2012, when PDQ ceased to operate as a going concern, PDQ was frequently capital deficient in that it failed to comply with the minimum capital requirements stipulated by MFDA Rule 3.1.1. Specifically, PDQ was capital deficient during the periods listed below:

a) March 2007 – September 2007;

b) November 2007 – February 2008;

c) July 2009;

d) September 2009;

e) December 2009 – March 2010;

f) May 2010 – October 2011; and

g) June – November 2012.

21. Between May 2010 and July 2012, the Respondents solicited and obtained investments in PDQ from at least six investors, totaling more than \$240,000, for the purposes of recapitalizing PDQ. Although these capital injections temporarily addressed PDQ’s capital deficiencies, since PDQ continued to sustain operating losses it continued to erode its capital. As a consequence, PDQ would soon become capital deficient again after the receipt of each new capital injection.

³PDQ was designated in early warning for a single day on May 14, 2009 because audit adjustments reported in the Member’s 2008 audited financial statements reflected the fact that PDQ had under-accrued its liabilities. As a result of the audit adjustments PDQ failed the Profitability Test for the month ending January 31, 2009 and should have been designated in early warning as a consequence. However, by the time that the audit adjustments were reported to the MFDA, this deficiency had been resolved.

Contravention Of Early Warning Requirements

22. During periods when PDQ was designated in early warning, PDQ and Negri were subject to the early warning requirements set out in MFDA Rule 3.4.2(b) and (c) including, in particular, the requirements that PDQ:

1. refrain from:

- (a) reducing its capital in any manner including by redemption, repurchase or cancellation of any of its shares;
- (b) reducing or repaying any indebtedness which has been subordinated;
- (c) directly or indirectly making any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company, affiliate or associate;
- (d) increasing its non-allowable assets (as specified by the MFDA) unless a prior binding commitment to do so exists or entering into any new commitments which would have the effect of materially increasing the non-allowable assets of the Member; or
- (e) entering into any transaction or taking any action which when completed, would have or would reasonably be expected to cause the Member to trigger early warning;

without the prior written consent of the MFDA; and

2. provide to the MFDA such reports or information, on a daily or a less frequent basis, as may be necessary or desirable in the opinion of the MFDA to assess and monitor the financial condition or operations of the Member.

a) Unauthorized Payments

23. Between November 2007 and January 2008, PDQ, while designated in early warning and without the prior written consent of the MFDA:

- a) increased its non-allowable assets by \$1,416 by purchasing computer equipment, recording expense recovery from Approved Persons and prepaying training seminar expenses without the prior written consent of MFDA Staff contrary to MFDA Rule 3.4.2(b)(iv)(D); and
- b) made a \$3,900 repayment of a subordinated loan to Negri without the prior written consent of the MFDA contrary to MFDA Rule 3.4.2(b)(iv) (C).

24. As a consequence of these contraventions of the early warning requirements, on April 23, 2008 MFDA Staff sent a warning letter to the Respondents reminding them of the importance of complying with all early warning requirements and, in particular, the obligation to refrain from making payments to related parties, including Negri, without the prior written consent of the MFDA.

25. Between March 2011 and June 2011, while PDQ was designated in early warning and without the prior written consent of the MFDA, PDQ:

- a) paid approximately \$60,000 in legal fees that were attributable to Negri;
- b) paid approximately \$1,284 for either personal accounting fees or a tax liability of Negri; and
- c) increased the non-allowable assets of PDQ by approximately \$6,000 by capitalizing the cost of an office renovation as a leasehold improvement;

contrary to the early requirements in MFDA Rule 3.4.2 applicable to the PDQ

26. Between 2011 and July 2012, while PDQ was designated in early warning and without the prior written consent of the MFDA, PDQ also made payments on at least two occasions to a related holding company owned by Negri, which amounts were then paid by the holding company to SP, a shareholder of PDQ and long-time friend of Negri. These payments constituted contraventions of the early warning requirements in MFDA Rule 3.4.2 that were applicable to PDQ when the payments were made.

27. Between March 2011 and July 2012, while PDQ was designated in early warning and without the prior written consent of the MFDA, PDQ and Negri also arranged for amounts to be paid to Negri from time to time and also paid numerous personal expenses of Negri from PDQ's operating account. Some of the payments to Negri came to the attention of the MFDA, in part because the payments were transparently identified on monthly financial reports filed by PDQ with the MFDA as increasing amounts "Due From A Related Party." Such payments were questioned by MFDA Financial Compliance Staff and following those discussions, Negri was directed to repay these unauthorized amounts to PDQ. However, many of the payments (especially payments towards expenses incurred for the personal benefit of Negri) were made without any acknowledgement on PDQ's monthly financial filings to the MFDA or by means of any other disclosure to the MFDA that these amounts had been paid for the benefit of Negri and were only identified by Staff during a subsequent review of the general ledger and the supporting documentation maintained by PDQ. All of the foregoing payments were made to Negri, an officer and shareholder of PDQ, without the prior written consent of the MFDA and, as such, were contrary to the early warning restrictions applicable to PDQ under MFDA Rule 3.4.2(b)(iv)(C).

28. Between March 2011 and July 2012, PDQ paid more than \$100,000 from its operating account to or for the benefit of Negri, including payments towards the mortgage on Negri's house, a personal line of credit, outstanding credit card balances, municipal property tax liabilities and personal draws of Negri. In addition, numerous personal expenses for food, entertainment, vacations and recreation were paid from the operating account of PDQ for the benefit of Negri.

29. Between February and April 2012, MFDA Staff repeatedly questioned the Respondents about entries in their monthly financial filings and cautioned them that the practice of paying compensation to and expenses for Negri without the prior written authorization of the MFDA constituted a contravention of the MFDA's early warning requirements, to which PDQ was then subject. Following conversations and e-mails outlining the concerns of Staff, the Respondents disregarded Staff's warnings and directions and continued the practice of making payments to or for the benefit of Negri without the prior written consent of the MFDA.

30. The unauthorized payments from PDQ to Negri or for his benefit had the effect of accelerating the erosion of PDQ's capital, which capital consisted in part of the amounts contributed by the aforementioned investors in PDQ for the purposes of recapitalizing PDQ.

31. By engaging in the conduct described above, PDQ and Negri failed to comply with the early warning requirements to which PDQ was subject between August 2007 and July 2012, contrary to MFDA Rules 3.4.2(b)(iv) and 3.4.2(c) and MFDA Rule 2.1.1.

b) Failure To Comply With Information Requests From The MFDA

32. Between January 2011 and November 2012, PDQ and Negri repeatedly failed to provide timely responses to requests for information made by MFDA Financial Compliance Staff responsible for assessing and monitoring the financial condition and operations of PDQ.

33. Although PDQ and Negri eventually provided all or substantially all of the information requested by MFDA Staff, their inability or unwillingness to promptly deliver the information impeded the ability of MFDA Staff to review and assess PDQ's financial and operating condition in a timely manner during a period in which PDQ was in early warning and was capital deficient for all but the months of November 2011 to May 2012.

34. By engaging in the conduct described above, PDQ and Negri failed to comply with the early warning requirements to which PDQ was subject between August 2007 and July 2012, contrary to MFDA Rule 3.4.2(b)(vii) and MFDA Rule 2.1.1.

Failure To Comply With MFDA Approvals On Withdrawals

35. After PDQ was designated in early warning in September 2009, Negri requested relief from the restrictions to which PDQ was subject under MFDA Rule 3.4.2 prohibiting PDQ from, among other things, making any payments to him without the prior written consent of the MFDA.

36. Staff approved a request by Negri authorizing him to withdraw up to a maximum of \$1,500 per month from PDQ to pay personal expenses, pursuant to MFDA Staff's authority under MFDA Rule 3.4.2(c).

37. As set out in paragraphs 27 and 28 above, commencing at least March 2011, Negri began making substantial withdrawals from PDQ to pay personal expenses.

38. Generally, Negri incorrectly recorded these withdrawals as “Operating Expenses” of PDQ on the “Form 1, Part I –Statement D” that PDQ was required to file monthly with the MFDA. These withdrawals ought properly to have been recorded as “variable compensation” to Negri on the Statement D, which would have allowed MFDA Staff to immediately and easily determine whether Negri was withdrawing more from PDQ than he was entitled to under the limits approved by MFDA Staff.

39. When Staff reviewed the general ledger and bank statements of PDQ (which PDQ was not required to file with the MFDA but which were requested by MFDA Staff), it became apparent that Negri was regularly making withdrawals from PDQ’s operating account to pay personal expenses that often exceeded \$6,000 per month.

40. In response to inquiries by MFDA Staff concerning the withdrawals from PDQ’s operating account, Negri claimed that he made payments back to PDQ on a regular basis to reconcile any amounts he had withdrawn in excess of the amounts approved by MFDA Staff.

41. Although there is evidence that Negri made some deposits to PDQ’s operating account to restore amounts he had previously withdrawn, he did not do so on a monthly or regular basis and the amounts that he deposited fell substantially short of the amounts that he would have needed to deposit to confine his prior withdrawals to the limits approved by MFDA Staff.

42. In March 2012, Negri requested permission from MFDA Staff to withdraw \$5,000 per month from PDQ’s operating account to pay personal expenses. MFDA Staff requested further information and disclosure from Negri to evaluate the impact that approving his request would have on PDQ’s capital.

43. In April 2012, after assessing PDQ’s financial and operating condition, Staff granted Negri approval going forward to withdraw any amounts from PDQ’s operating account up to the amount that would still result in PDQ generating at least \$1,000 in net income for the month.

44. Thereafter, between April 2012 and July 2012, Negri continued to withdraw substantial amounts each month from PDQ to pay personal expenses in spite of the fact that PDQ was incurring losses in excess of \$8,000 in each of those months and, as such, was failing to generate at least \$1,000 of net income in each of the months.

45. By engaging in the conduct described above between March 2011 and July 2012, Negri made withdrawals from PDQ to pay personal expenses in excess of the amounts approved by MFDA Staff, contrary to MFDA Rules 3.4.2(b)(iv)(C) and 3.4.2(c) and MFDA rule 2.1.1.

Inaccurate Sales Communications

46. Commencing in 2010, PDQ and Negri circulated a sales communication to prospective investors in PDQ entitled “Confidential Offering 2009-2010”. PDQ intended to use the proceeds from the offering to address its capital concerns. The sales communication inaccurately stated or implied that regulators such as the MFDA had endorsed PDQ and the “fully integrated product” that PDQ was promoting to investors. In particular, the document stated, among other things, that:

- a) “To truly appreciate PDQ’s potential, an investor must take into consideration that PDQ’s plan has passed MFDA dealer audits and has overcome regulatory resistance expected with such a “unique fully integrated product”; and
- b) “Our strict, detailed, and comprehensive suitability process has been reviewed by the regulators. They haven’t seen anything like this before and they are VERY impressed with it.” (emphasis is original)

47. The statements in the preceding paragraph were inaccurate. The Respondents knew or ought to have known that neither the MFDA nor any other regulator had endorsed either expressly or by implication, or reviewed or commented on in any way that might be construed as an endorsement, PDQ’s business model or plan, products, suitability process or any other feature of its operations, products or services.

48. By engaging in the conduct described above, PDQ and Negri contravened MFDA Rules 2.7.2 and 2.1.1.

V. CONTRAVENTIONS

49. The Respondents admit that between August 2007 and August 2012, while PDQ was designated in early warning, PDQ and Negri frequently contravened the early warning requirements set out in MFDA Rule 3.4.2 by:

- a) making payments without the prior written consent of the MFDA:
 - (i) by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets from PDQ to directors, officers and shareholders of PDQ;
 - (ii) from PDQ that had the effect of increasing PDQ's non-allowable assets; and
 - (iii) from PDQ that had the effect of reducing PDQ's capital;
contrary to MFDA Rules 3.4.2(b)(iv) and 3.4.2(c) and MFDA Rule 2.1.1; and
- b) failing to provide timely responses to requests by MFDA Staff for reports and information required by MFDA Staff to assess and monitor the financial conditions and operations of PDQ, contrary to MFDA Rules 3.4.2(b)(vii) and 2.1.1.

50. The Respondents admit that between March 2011 and July 2012, while PDQ was designated in early warning, Negri made withdrawals from PDQ to pay personal expenses in excess of the amounts that had been approved by MFDA Staff, contrary to MFDA Rules 3.4.2(b)(iv)(C) and 3.4.2(c) and MFDA Rule 2.1.1.

51. The Respondents admit that between 2010 and 2012, while in the course of attempting to solicit new investors in PDQ, PDQ and Negri circulated a sales communication to prospective investors in PDQ that inaccurately stated or implied that the MFDA and other regulators had endorsed PDQ's business model or plan, products, suitability process or other features of its operations, products or services, contrary to MFDA Rules 2.7.2 and 2.1.1.

VI. TERMS OF SETTLEMENT

52. The Respondent Negri agrees to the following terms of settlement:

- a) the authority of the Respondent Negri to conduct securities related business while in the employ of, or associated with, any Member of the MFDA shall be suspended for a period commencing on the date when this Settlement Agreement is accepted by a Hearing Panel of the MFDA and continuing until January 31, 2014;
- b) The Respondent Negri shall be permanently prohibited from being registered or acting in the capacity of Ultimate Designated Person, Chief Compliance Officer, Branch Manager or any compliance position for a Member of the MFDA commencing on the date when this Settlement Agreement is accepted by a Hearing Panel of the MFDA;
- c) The Respondent Negri shall be prohibited from being an officer, director or acting as a supervisor for a Member of the MFDA for a period fo 5 years commencing on the date when this Settlement Agreement is accepted by a Hearing Panel of the MFDA;
- d) Within 12 months following the date when this Settlement Agreement is accepted by a Hearing Panel of the MFDA, the Respondent Negri shall write or rewrite and pass the Conduct and Practices Handbook course offered by the Canadian Securities Institute or another course approved by the MFDA that includes content concerning business ethics and procedure;
- e) The Respondent Negri shall pay a fine in the amount of \$15,000;
- f) the Respondent Negri shall pay costs in the amount of \$2,500;
- g) the membership in the MFDA of the Respondent PDQ shall be terminated effective on the date when this Settlement Agreement is accepted by a Hearing Panel of the MFDA and thereafter PDQ shall cease to have any of the rights and privileges of Membership in the MFDA;
- h) if the Respondent Negri wishes to continue to be an Approved Person of a Member of the MFDA in the future, the Respondent Negri shall exercise due diligence to uphold the standard of conduct and shall refrain from circulating sales communications that are misleading and shall comply with all applicable MFDA By-laws, Rules and Policies including MFDA Rules 2.1.1 and 2.7.2;
- i) the Respondent Negri shall attend in person, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

53. 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 Respondents or against any other officer or director or former officer or former director of PDQ 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 or 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 referenced in Parts IV and V, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondents from fulfilling any continuing regulatory obligations including the obligation to resolve any complaints that have been received or may be received in the future concerning the business of PDQ.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

54. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondents.

55. Staff and the Respondents may refer to any part, or all, of the Settlement Agreement at the settlement hearing. Staff and the Respondents 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 Respondents in this matter, and the Respondents agree to waive their 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.

56. Staff and the Respondents agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondents shall be deemed to have been penalized by the Hearing Panel pursuant to sections 24.1.1 and 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.

57. Staff and the Respondents agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondents will make any public statement inconsistent

with this Settlement Agreement. Nothing in this section is intended to restrict the Respondents from making full answer and defence to any civil or other proceedings against them.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

58. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondents fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against either or both Respondents 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. If such additional enforcement action is taken, the Respondents agree that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

59. Notwithstanding paragraphs 53 and 58 of the Settlement Agreement if the Respondent Negri does not comply with paragraph 4 of the draft Order attached as Schedule “A”, Staff and the Respondent shall have the right to appear before the Hearing Panel, upon a minimum of 10 days notice, for additional guidance on fulfilling the terms of the Order and the Hearing Panel may provide such further guidance and directions or impose such further and other terms, conditions, or penalties as allowed under section 24.1.2 of MFDA By-law No. 1, as the Hearing Panel considers appropriate in the circumstances.

X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

60. 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 Respondents 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.

61. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondents agree that they 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

62. 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 the Respondents and Staff or as may be required by law.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated this 30th day of October, 2013.

Susan Pasquale
Witness – Signature

“Cesidio Negri”
Cesidio Negri
Chief Compliance Officer & Ultimate Designated
Person
PDQ Financial Services Inc.

“Susan Pasquale”
Witness – Print name

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

Schedule “A”

Order

File No. 201234



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: PDQ Financial Services Inc. and Cesidio (“Sid”) Negri

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of PDQ Financial Services Inc. (the “Respondent PDQ”) and Cesidio (“Sid”) Negri (the “Respondent Negri”) (collectively the “Respondents”);

AND WHEREAS the Respondents entered into a settlement agreement with Staff of the MFDA, dated [date] (the “Settlement Agreement”), in which the Respondents agreed to a proposed settlement of matters for which the Respondents could be disciplined pursuant to sections 20 and 24.1 of By-law No. 1;

AND UPON READING the Settlement Agreement, the written submissions of Staff and upon hearing the oral submissions of Staff and the Respondent;

AND WHEREAS on the basis of the facts set out in Part IV of the Settlement Agreement and the contraventions admitted by the Respondents in Part V of the Settlement Agreement, the Hearing Panel is of the opinion that:

- (1) Between August 2007 and August 2012, while the Respondent PDQ was designated in early warning, the Respondents frequently contravened the early warning requirements set out in MFDA Rule 3.4.2 by:
 - (a) making payments without the prior written consent of the MFDA:
 - (i) by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets from PDQ to directors, officers and shareholders of PDQ;
 - (ii) from PDQ that had the effect of increasing PDQ's non-allowable assets; and
 - (iii) from PDQ that had the effect of reducing PDQ's capital;contrary to MFDA Rules 3.4.2(b)(iv) and 3.4.2(c) and MFDA Rule 2.1.1; and
 - (b) failing to provide timely responses to requests by MFDA Staff for reports and information required by MFDA Staff to assess and monitor the financial conditions and operations of the Respondent PDQ, contrary to MFDA Rules 3.4.2(b)(vii) and 2.1.1;
- (2) Between March 2011 and July 2012, while the Respondent PDQ was designated in early warning, the Respondent Negri made withdrawals from bank accounts of the Respondent PDQ to pay personal expenses in excess of the amounts that had been approved by MFDA Staff, contrary to MFDA Rules 3.4.2(b)(iv)(C) and 3.4.2(c) and MFDA Rule 2.1.1;
- (3) Between 2010 and 2012, while in the course of attempting to solicit new investors in PDQ, the Respondents circulated a sales communication to prospective investors in PDQ that inaccurately stated or implied that the MFDA and other regulators had endorsed PDQ's business model or plan, products, suitability process or other features of its operations, products or services, contrary to MFDA Rules 2.7.2 and 2.1.1.

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

1. The authority of the Respondent Negri to conduct securities related business while in the employ of, or associated with, any Member of the MFDA shall be suspended for a period commencing from the date of this Order and continuing until January 31, 2014, pursuant to s. 24.1.1(c) of MFDA By-law No. 1;
2. The Respondent Negri is permanently prohibited from being registered or acting in the capacity of Ultimate Designated Person, Chief Compliance Officer, Branch Manager or any compliance position for a Member of the MFDA commencing on the date of this Order, pursuant to s. 24.1.1(f) of MFDA By-law No. 1;
3. The Respondent Negri shall be prohibited from being an officer, director or acting as a supervisor for a Member of the MFDA for a period of 5 years commencing on the date of this Order;
4. Within 12 months of the date of this Order, the Respondent Negri shall write or rewrite and pass the Conduct and Practices Handbook course offered by the Canadian Securities Institute or another course approved by the MFDA that includes content concerning business ethics and procedure, pursuant to s. 24.1.1(f) of MFDA By-law No. 1;
5. The Respondent Negri shall pay a fine in the amount of \$15,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
6. The Respondent Negri shall pay costs in the amount of \$2,500, pursuant to s. 24.2 of MFDA By-law No. 1;
7. The membership in the MFDA of the Respondent PDQ shall be terminated effective on the date of this Order and hereafter PDQ shall cease to have any of the rights and privileges of Membership in the MFDA, pursuant to s. 24.1.2(d) of MFDA By-law No. 1.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]

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