



**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: Alfonso Chin**

---

**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, Alfonso Chin.

**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) 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. For greater certainty, this agreement is not intended to and does not prohibit the Respondent’s ability to conduct business in the purchase and sale of insurance products, including segregated funds.

### **IV. AGREED FACTS**

#### **Registration History**

6. Between January 10, 1997 and April 26, 2012, the Respondent was registered in Ontario as a mutual fund salesperson with Quadrus Investment Services Ltd. (“Quadrus”), a Member of the MFDA. On or about April 26, 2012, the Respondent was terminated by Quadrus as a result of the events described herein.

7. During the material time, the Respondent was also licensed in Ontario as a life insurance agent with London Life Insurance Company (“London Life”) and carried on business as a

financial planner.

8. During the material time, the Respondent carried on his insurance and financial planning businesses through his company, CHC Financial Planning Concepts Inc. (“CHC”). The Respondent was an officer and employee of CHC.

9. During the material time, the Respondent conducted mutual fund business from a Quadrus branch office in Mississauga, Ontario.

10. The Respondent is not currently registered in the securities industry in any capacity.

11. The Respondent resides in Mississauga, Ontario.

### **Securities Related Business Outside the Member**

12. On January 11, 2012, Staff became aware of the Respondent’s conduct following receipt of a report submitted by Quadrus through the MFDA’s Member Events Tracking System (“METS”), in accordance with MFDA Policy No. 6, that the Respondent had an undisclosed outside business activity.

### **Lexxco Investment Corporation**

13. According to its marketing materials, Lexxco Investment Corporation<sup>1</sup> (“Lexxco”) is a private company that carries on business lending monies to real estate owners and developers and funds those loans by issuing promissory notes to investors. The promissory notes have terms between one to three years and pay interest monthly or annually at rates between 7 to 12 per cent annually (the “Lexxco Investment”).

14. According to Lexxco’s website:

---

<sup>1</sup> Lexxco is also known as Lexxco Mortgage Investment Corporation; and ILC Corporation.

We are a diversified, financial solution mediator. Lexxco has been a premier provider of real estate investment opportunities to investors in the GTA since 1997. The foundation of our service is the depth of our local market knowledge. Our 14 year history of maintaining investor-borrower relationship in local markets its enables us to be the best information source for investors locally. We specialize in tax minimization, investment advisors for clients, brokerage and related professional services. Lexxco seamlessly integrates next-generation thought leadership with best-of-breed methodologies, technology & human capital.

Our investment consultants and loan professionals are able to provide clients with an unparalleled perspective on investment as well as on the lending side of real estate market locally and regionally. Included in our activities, but not limited to have been transaction involving shopping centers, office and industrial buildings, apartment properties, single tenant, net-lease properties, hotel / motels, senior housing facilities, self-storage and land, in addition to the more traditional mortgage arrangement / financing mediation. Lexxco has established itself in real estate on the GTA level.

With years of experience advising investors in real estate market, the company has established a truly superior record of knowledge. We have been trusted advisors for institutional and private investors. Our success over the years is the broad base of experience that we enjoy at Lexxco. Our knowledge of the real estate market is comprehensive and cuts across the spectrum of commercial developments and geographic market place in the GTA.

15. Since in or around 2002, the Respondent has known AL, the President and CEO of Lexxco.

16. In April 2009, the Respondent personally invested a total of \$100,000 in the Lexxco Investment. In May 2009, the Respondent received his principal back plus interest of \$602.73.

### **Referral Fees**

17. Between 2006 and 2011, the Respondent referred or facilitated the sale of a total of \$3,105,000 of the Lexxco Investment to 2 Quadrus clients and 11 other individuals (who were London Life insurance clients) and was paid referral fees or compensation in the total amount of \$105,600 on account of those investments.

18. In civil litigation arising from Lexxco investments, the Respondent has pleaded that his dealings with Lexxco were undertaken in the Respondent's capacity as an officer and employee of CHC.

19. During the course of Staff’s investigation, the Respondent provided the following information to Staff with respect to the Quadrus clients and other individuals who purchased the Lexxco Investment from or through the Respondent (the “Lexxco Investors”):

<b>Lexxco Investor</b>	<b>Date of investment(s)</b>	<b>Amount(s) Invested</b>	<b>Amount(s) Repaid to Investor</b>	<b>Client</b>	<b>Respondent’s / CHC’s Compensation</b>
RH&DH	2006	\$700,000	\$387,525	No	2006 - \$30,000
	2008-2009	\$450,000	\$124,008		2008 - \$16,000
					2009 - \$30,000
BH&MH	2006	\$100,000	2010 - \$22,500	No	2006 - \$4,000
	2009	Reinvested \$100,000 plus \$150,000	2011 - \$22,500		2009 - \$10,000
PP	2007	\$100,000	2010 – \$100,000 plus interest (unknown)	No	2007 - \$4,000
JS&LA	2008	\$230,000	2009 - \$19,941	No	2008 - \$9,200
			2010 - \$19,941		2010 – unknown*
	2011	Reinvested \$230,000 plus \$130,000	2011 - \$19,941		2011 – unknown*
LD	2008	\$60,000	2009 - \$5,196	Yes	2008 - \$2,400
			2010 - \$5,196		
	2011	Reinvested \$45,000 and withdrew \$15,000	2011 - \$5,196 2011 - \$15,000		
CV	2010	\$300,000	2010 - \$25,500	No	Unknown*
	2011	40,000	2011 – \$19,125		
JW	2010	\$100,000	None	No	Unknown*
ME	2011	\$410,000	2011 - \$19,731	No	Unknown*
LFC		\$200,000	None	No	Unknown*

<b>Lexxco Investor</b>	<b>Date of investment(s)</b>	<b>Amount(s) Invested</b>	<b>Amount(s) Repaid to Investor</b>	<b>Client</b>	<b>Respondent's / CHC's Compensation</b>
MC	2011	\$150,000	None	Yes	Unknown*
<b>Totals</b>		<b>\$3,105,000</b>	<b>\$812,000</b>	<b>2</b>	<b>\$105,600<sup>2</sup></b>

\* = the Respondent stated that after 2009 he suspended invoicing Lexxco for personal reasons but intended to resume at a later date. Staff was unable to determine the timing and amount of the compensation, if any, received by the Respondent in respect of these particular investments.

20. The Respondent acted as an intermediary between Lexxco and the Lexxco Investors by, among other things:

- a) completing the applicable Lexxco documentation with the Lexxco Investors;
- b) delivering completed Lexxco documentation and investment monies to Lexxco on behalf of the Lexxco Investors; and
- c) delivering the promissory notes issued by Lexxco to the Lexxco Investors.

21. The Respondent did not seek or obtain approval from Quadrus to sell the Lexxco Investment. The Respondent did not disclose to Quadrus that the Respondent was referring or facilitating the sale of the Lexxco Investment to clients or other individuals.

22. The Lexxco Investment was not a product approved by Quadrus for sale or referral by its Approved Persons, including the Respondent. The transactions in respect of the Lexxco Investment were not processed for the account or through the facilities of Quadrus. Quadrus did not have a referral arrangement with Lexxco.

23. In July 2011, several Lexxco Investors did not receive their scheduled interest payments and contacted the Respondent. In response, the Respondent contacted AL and arranged for the interest payments to be made.

---

<sup>2</sup> The Respondent subsequently produced documents showing that he had received exactly \$102,053.56, exclusive of the unknown amounts.

24. In early August 2011, the Financial Services Commission of Ontario (“FSCO”) issued an order freezing the assets and trust monies of Lexxco on the grounds that the public may be adversely affected by the activities of Lexxco. Lexxco had been licensed as a mortgage administrator with the FSCO since January 30, 2009.

25. On October 27, 2011, AL was arrested and subsequently charged with 12 counts of fraud over \$5,000. The police alleged that Lexxco was a Ponzi scheme; that AL was using monies from new investors to make payments to existing investors; and that AL was also using investor monies for his own personal use.

26. On October 31, 2011, Lexxco Investor CV contacted the Respondent after reading the media reports about AL’s arrest and Lexxco’s legal and financial difficulties. By letter dated November 3, 2011, the Respondent advised the Lexxco Investors that he had become aware that AL had been arrested and charged with several counts of fraud. The Respondent denied having any knowledge that AL was operating a Ponzi scheme.

27. As set out in the chart above, of the total amount of \$3,105,000 invested by the Lexxco Investors, the Respondent believed only approximately \$812,000 was repaid to them.

28. In or around February 2012, Lexxco Investors BH&MH, RH&DH and JS&LA commenced civil proceedings against the Respondent and CHC in respect of the Lexxco Investment.

29. In or around August 2013, Lexxco Investor CV commenced a civil proceeding against the Respondent and others in respect of the Lexxco Investment.

## **V. CONTRAVENTIONS**

30. The Respondent admits that between 2006 and 2011, the Respondent engaged in securities related business that was not carried on for the account and through the facilities of the Member by referring or facilitating the sale of at least \$3,105,000 of investments in a mortgage

investment corporation to 2 clients and 11 other individuals outside the Member, contrary to MFDA Rules 1.1.1(a) and 2.1.1.

31. The Respondent admits that between 2006 and 2011, the Respondent received at least \$102,053.56 in referral fees for referring or facilitating the sale of investments in a mortgage investment corporation to 2 clients and 11 other individuals, thereby participating in a referral arrangement in relation to securities related business to which the Member was not a party, contrary to the requirements of sections 13.7 and 13.8 of National Instrument 31-103, and MFDA Rules 2.4.2 and 2.1.1.

## **VI. TERMS OF SETTLEMENT**

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

- (a) a permanent prohibition on the authority of the Respondent to conduct securities related business in any capacity while in the employ of or associated with any MFDA Member, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- (b) a fine in the amount of \$30,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1, which fine shall be reduced by any amounts, excluding payments for legal costs, that the Respondent can establish, based on documentary evidence acceptable to Staff in its sole discretion, that he has paid to Lexxco Investors on or before July 4, 2014 to settle civil actions commenced by them against the Respondent;
- (c) costs in the amount of \$2,500, pursuant to section 24.2 of MFDA By-law No. 1; and
- (d) the Respondent will attend in person, on the date set for the Settlement Hearing.

## **VII. STAFF COMMITMENT**

33. 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 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 VII, 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**

34. 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 Respondent.

35. 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 its 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.

36. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then 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.

37. 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 it him.

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

38. 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 section 24.3 of 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. If such additional enforcement action is taken, the Respondent agrees 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.

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

39. 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.

40. 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**

41. 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.

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

## **XII. EXECUTION OF SETTLEMENT AGREEMENT**

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

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

Dated this 2<sup>nd</sup> day of May, 2014.

“William E. Pepall”  
\_\_\_\_\_  
Witness – Signature

William E. Pepall  
\_\_\_\_\_  
Witness – Print name

“Alfonso Chin”  
\_\_\_\_\_  
Alfonso Chin

“Shaun Devlin”  
\_\_\_\_\_  
Staff of the MFDA  
Per: Shaun Devlin  
Senior Vice-President,  
Member Regulation – 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: Alfonso Chin**

---

**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 Alfonso Chin (the "Respondent");

**AND WHEREAS** the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] (the "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 Hearing Panel is of the opinion that:

- a) between 2006 and 2011, the Respondent engaged in securities related business that was not carried on for the account and through the facilities of the Member by referring or facilitating the sale of at least \$3,105,000 of investments in a mortgage

investment corporation to 2 clients and 11 other individuals outside the Member, contrary to MFDA Rules 1.1.1(a) and 2.1.1; and

- b) between 2006 and 2011, the Respondent received at least \$102,053.56 in referral fees for referring or facilitating the sale of investments in a mortgage investment corporation to 2 clients and 11 other individuals, thereby participating in a referral arrangement in relation to securities related business to which the Member was not a party, contrary to the requirements of sections 13.7 and 13.8 of National Instrument 31-103, and MFDA Rules 2.4.2 and 2.1.1.

**IT IS HEREBY ORDERED THAT:**

1. The Settlement Agreement is accepted, as a consequence of which the following penalties and costs are imposed upon the Respondent:

- (i) a permanent prohibition on the authority of the Respondent to conduct securities related business in any capacity while in the employ of or associated with any MFDA Member, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- (ii) a fine in the amount of \$30,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1, which fine shall be reduced by any amounts, excluding payments for legal costs, that the Respondent can establish, based on documentary evidence acceptable to Staff in its sole discretion, that he has paid to Lexxco Investors on or before July 4, 2014 to settle civil actions commenced by them against the Respondent; and
- (iii) costs in the amount of \$2,500, pursuant to section 24.2 of MFDA By-law No. 1; and

2. If at any time a non-party to this proceeding requests production of, or access to, any materials filed in, or the record of, this proceeding, including all exhibits and transcripts, then the MFDA Corporate Secretary shall not provide copies of, or access to, the requested documents to the non-party without first redacting from them any and all intimate financial or personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*.

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

Per: \_\_\_\_\_  
[Name of Public Representative], Chair

Per: \_\_\_\_\_  
[Name of Industry Representative]

Per: \_\_\_\_\_  
[Name of Industry Representative]

DM 386529 v1