



Real Estate Council of Ontario

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## **DISCIPLINE DECISION**

**IN THE MATTER OF A DISCIPLINE HEARING HELD PURSUANT TO THE  
*REAL ESTATE AND BUSINESS BROKERS ACT, 2002, S.O. 2002, c. 30, Sch. C***

**BETWEEN:**

**REAL ESTATE COUNCIL OF ONTARIO**

**- AND -**

**MASOUD KHALILI**

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This matter was heard on March 21 and 22, 2019 and on June 20, 2019 at Toronto, Ontario. The parties have submitted an Agreed Statement of Facts and Penalty and Waiver of Hearing. This Panel accepts the Agreed Statement of Facts and therefore orders as follows:

**DATE OF DECISION:** June 20, 2019

**ORDER:** Fine of \$14,000.00 payable to RECO on or before June 30, 2020.

Successful completion of the Real Estate Institute of Canada (REIC) "Ethics and Business Practice" course and provide RECO with confirmation of successful completion on or before June 30, 2020.

### **REASONS FOR DECISION**

#### **INTRODUCTION**

This matter proceeded on the basis of an Agreed Statement of Facts and Penalty and Waiver of Hearing, pursuant to Rule 4.02 of the Rules of Practice (*REBBA 2002*).

The Agreed Statement of Facts and Penalty read:

#### **AGREED STATEMENT OF FACTS AND PENALTY**

**It is agreed as follows:**

1. Masoud Khalili (“Khalili”) is and was, at all relevant times, registered as a salesperson under the Real Estate and Business Brokers Act, 2002 (“Act”). Khalili is employed by Brokerage A
2. Brokerage B is a property management company that leases industrial units to small business entrepreneurs.
3. On or about September 19, 2011, Khalili caused Brokerage C to become incorporated. At all relevant times, Khalili was registered as Brokerage C’s sole officer and director.

I. **LEASE OF 1-A STREET, UNIT 1**

4. On or about January 15, 2015, Representative A who was represented by Brokerage A, and Khalili as its representative, made an offer to lease from Brokerage B (“Offer”) the commercial property located at 1-A Street, Unit 1, City A (“Property”).
5. The Offer was accepted by Representative A, to which Khalili is indicated to have witnessed Representative A sign. Pursuant to a schedule of the Lease Agreement (“Lease Agreement”), it provided that the parties were to subsequently execute Brokerage B’s standard form lease (“Indenture”).

II. **INDENTURE, CERTIFICATE OF INSURANCE AND EQUIPMENT PURCHASE**

6. Khalili then provided Representative A with information about Brokerage C.
7. On January 28, 2015, the Indenture was entered between Brokerage B and Brokerage C. The Indenture provided that Brokerage C, which was to be operating as ‘Business A,’ was to tenant the Property – this was despite the fact, however, that Brokerage C was not a party to the Lease Agreement.
8. Representative A signed the Indenture on behalf of Brokerage C, however, as noted above at paragraph 2, Representative A was not registered as either an officer or director of Brokerage C.
9. On or about February 6, 2015, Representative A agreed to purchase equipment for the operation of a pizzeria at the Property (“Equipment”) from Brokerage B for \$18,080.00. (“Equipment Purchase Agreement”). After making a down payment of \$7,910.00 to

Brokerage B, and commencing April 1, 2016, Representative A agreed to begin making monthly payments to Brokerage B.

### III. CHEQUES

10. Several cheques were then issued to Brokerage B (“Cheques”) in furtherance of the rental of the Property and for the purchase of the Equipment. Every Cheque, however, was:
  - a. Signed by Khalili, despite him not being a party to either the Lease Agreement or Equipment Purchase Agreement; and
  - b. Not honoured by the financial institution.
11. Within couple of months of opening as a pizzeria, the Property was vacated, and Equipment removed. No further payments were made to Brokerage B with respect to the purchase of the Equipment, and the Equipment was never recovered.

### IV. CIVIL PROCEEDINGS

12. A lawsuit was then commenced by Brokerage B against Brokerage C, Representative A and Khalili. In a statement of defence filed on behalf of Brokerage C, Khalili, and Representative A, (“SOD”) Khalili stated he was the director of Brokerage C, contending Representative A had signed the Indenture on behalf of Brokerage C, despite having no authorization to bind the corporation. Khalili, however, later advised RECO that Representative A, a friend of his, needed a corporation, and so Khalili had transferred Brokerage C to him. Khalili claimed that although Brokerage C was only transferred June 29, 2016, the transfer was effective January 2015.

## SUMMARY OF AGREEMENTS

**It is agreed that Khalili failed to comply with the Code of Ethics (“Code”) as follows:**

1. Facilitating or otherwise furthering the execution of the Lease Agreement and Indenture which leased the Property from Brokerage B by two different tenants, contrary to sections 3, 37, and 38 of the Code.
2. Facilitating or otherwise furthering the entering of the Indenture by Representative A on behalf of Brokerage C when Khalili knew Representative A was neither a registered officer

or director of Brokerage C at the time of the Indenture's execution, contrary to sections 3, and 38 of the Code.

3. As Brokerage C's sole officer and director, failing to disclose his interest in leasing the Property, contrary to 3, 5, and 38 of the Code.
4. Issuing the Cheques and not seeing that they were honoured, contrary to sections 3, 35, and 39 of the Code.
5. Facilitating or otherwise furthering the entering of the Indenture by Representative A on behalf of Brokerage C, later disavowing Representative A's authority to do so, contrary to sections 3, 38, and 39 of the Code.

**It is agreed that Khalili failed to comply with the following sections of the Code:**

**Fairness, honesty, etc.**

- 3 A registrant shall treat every person the registrant deals with in the course of a trade in real estate fairly, honestly and with integrity.

**Conscientious and competent service, etc.**

- 5 A registrant shall provide conscientious service to the registrant's clients and customers and shall demonstrate reasonable knowledge, skill, judgement and competence in providing those services.

**Financial responsibility**

- 35 A registrant shall be financially responsible in the conduct of business.

**Inaccurate representations**

- 37(1) A registrant shall not knowingly make an inaccurate representation in respect of a trade in real estate.

**Error, misrepresentation, fraud, etc.**

- 38 A Registrant shall use the registrant's best efforts to prevent error, misrepresentation, fraud or any unethical practice in respect of a trade in real estate.

**Unprofessional conduct, etc.**

- 39 A registrant shall not, in the course of trading in real estate, engage in any act or omission that, having regard to all of the circumstances, would reasonable be regarded as disgraceful, dishonourable, unprofessional or unbecoming a registrant.

#### AGREED PENALTY

MASOUD KHALILI, the Respondent, be ordered to pay a penalty of \$14,000.00 on or before June 30, 2020.

In addition to the above penalty, the Respondent must enroll in the Ethics and Business Practice course, provided by the Real Estate Institute of Canada (REIC), and provide proof of successful completion of the course on or before June 30, 2020.

*[Respondent's Initials]*

By initials below, I, MASOUD KHALILI, acknowledge that I have read and understand the penalty outlined herein and agree to the said terms and/or conditions.

*[Respondent's Initials]*

By initials below, I, MASOUD KHALILI, agree, understand, acknowledge and consent to waive the requirement for a hearing and to request an Order from the Chair of the Discipline Committee that includes this Agreed Statement of Facts and Penalty as a final settlement of this matter.

*[Respondent's Initials]*

By initials below, I, MASOUD KHALILI, acknowledge that I was aware of my right to be represented by Counsel or agent in this matter.

*[Respondent's Initials]*

By signature below, the Parties agree, acknowledge, understand and consent to the final settlement of this matter by way of this Agreed Statement of Facts and Penalty.

[The Agreed Statement was duly signed by the Parties.]

#### **DECISION OF THE CHAIR**

Having reviewed and considered the Agreed Statement of Facts, the Panel of the Discipline Committee (*REBBA 2002*) concluded that the Respondent breached Sections 3, 5, 35, 37(1), 38 and 39 of the *REBBA 2002* Code of Ethics. The Panel of the Discipline Committee (*REBBA 2002*) are also in agreement with the joint submission of the Parties as to penalty and accordingly makes the following order:

1. MASOUD KHALILI is Ordered a Fine of \$14,000.00 payable to RECO on or before June 30, 2020.
2. MASOUD KHALILI is Ordered to successfully complete “REIC 2600 Ethics and Business Practice” course on or before June 30, 2020.

*[Released: July 4, 2019]*