

**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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**DISCIPLINE DECISION AND REASONS FOR DECISION**

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Subject to Rule 4.02 of the Discipline and Appeals Committee Rules of Practice (*REBBA 2002*), I, the Chair of the Discipline Committee (*REBBA 2002*) have reviewed and considered the Agreed Statement of Facts and Penalty together with the Waiver of Hearing submitted by the Parties to this proceeding and provide the following Order:

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**FINDINGS:** In violation of Sections 2 (1), 4, 27 (1)(a), 30, 35, 37 (1), 38 and 39 of the *REBBA 2002* Code of Ethics.

**ORDER:** Fine of \$15,000.00 payable to RECO on or before August 8, 2023.

**WRITTEN REASONS:**

**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 registered as a salesperson under the *Real Estate and Business Brokers Act, 2002*. Khalili is employed at Brokerage A.

2. Individual A ("the Complainant") was interested in starting or purchasing a small business. Further to that purpose, the Complainant was introduced to Khalili through a mutual acquaintance, Individual B.
3. Khalili introduced the Complainant to a commercial real estate unit that was available for lease in a strip plaza. The address was 1-A Street, City A (the "Property").
4. The Property was listed for lease by Brokerage B on behalf of the landlord.
5. Khalili and the Complainant discussed that the Property could be used to operate a small pizza business, which had been the Property's prior use. There was restaurant equipment on site.
6. At Khalili's recommendation, the Complainant made an offer to lease the Property. On or about February 1, 2015, Khalili entered into a representation agreement with Brokerage A with Khalili acting as his representative.
7. On or about February 20, 2015, the Complainant entered into an Agreement to Lease the Property with the landlord. The Agreement to Lease required a security deposit of \$2,500.00 and a rent deposit of \$6,430.00 to cover first and last month's rent.
8. The restaurant equipment was not part of the Agreement to Lease. The purchase of the restaurant equipment was negotiated separately. Khalili provided the Complainant with a document entitled "List of Equipment" with "Bill of Sale" handwritten across the top. Also, in handwriting was the stated price of "\$15,000 plus HST". This document was signed on February 20, 2015.
9. Khalili directed the Complainant to provide him with three bank drafts as follows:
  - I. \$6,430.00 to Brokerage B.
  - II. \$5,650.00 to Number Company A - Ontario Ltd.
  - III. \$13,800.00 to Number Company A - Ontario Ltd.

10. The first draft amounted to the rent deposit. The second two drafts amounted to the security deposit (\$2,500.00) plus the equipment purchase price (\$15,000.00 plus HST).
11. At the time, Number Company A was a corporation controlled by Khalili; he was the sole director. One and a half years later, on June 29, 2016, Khalili removed himself as the sole director, replacing himself with Individual B. However, the change removing Khalili as the director was made retroactive to January 26, 2015, just prior to the Complainant's funds being deposited into the corporation's bank account.
12. The Complainant later learned the landlord was only provided \$10,000.00 from Khalili for the purchase of the restaurant equipment. The Complainant had provided Khalili with \$15,000.00.00 plus HST for the equipment; funds which were deposited into the bank account of the corporation controlled by Khalili. The Complainant sued Khalili in small claims court for the difference and obtained default judgment dated April 29, 2015. Khalili has not satisfied the judgment.
13. Khalili's brokerage had no record of the "Bill of Sale" or any record of the payments made by the Complainant as part of the Agreement to Lease, including no record of the funds made out to Khalili's corporation, or how the funds were apportioned.
14. Khalili later advised a RECO investigator that part of the funds went to his corporation because he had personally provided the \$2,500.00 security deposit for the lease transaction because the Complainant was short on funds. The Complainant denies this. However, if true, Khalili created no written record to document that he was providing the security deposit for the Complainant to be repaid at a later date.

## SUMMARY OF AGREEMENTS

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

- A. Khalili, without authorization, directed funds relating to the lease transaction into a corporation which he controlled, contrary to sections 4, 38 and 39 of the Code of Ethics.
- B. Khalili misrepresented the price for the sale of the restaurant equipment to the Complainant, contrary to sections 37(1), 38 and 39 of the Code of Ethics.
- C. Khalili was sued by the Complainant and the Complainant obtained default judgement as a result of Khalili's role in the lease transaction, but he has taken no steps to satisfy the default judgment, contrary to sections 35 and 39 of the Code of Ethics.
- D. Khalili did not make and/or keep any records, or provide records to his brokerage, surrounding the sale of equipment or any payments made by the Complainant pertaining to the lease transaction, including to Khalili's corporation, contrary to section 2(1) with respect to section 30 of the Code of Ethics.
- E. If Khalili provided funds to complete the lease agreement, including the security deposit, Khalili made no written agreement to document such a payment, contrary to section 27(1)(a) of the Code of Ethics.

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

Brokers and salespersons

2.(1). A broker or salesperson shall not do or omit to do anything that causes the brokerage that employs the broker or salesperson to contravene this Regulation.

*As applicable to:*

Business records

30. In addition to the records required by Ontario Regulation 579/05 (Educational Requirements, Insurance, Records and Other Matters) made under the Act, a

brokerage shall make and keep such records as are reasonably required for the conduct of the brokerage's business of trading in real estate.

Best interests

4. A registrant shall promote and protect the best interests of the registrant's clients.

Written and legible agreements

27.(1). A registrant who represents a client in respect of a trade in real estate shall use the registrant's best efforts to ensure that,

(a) any agreement that deals with the conveyance of an interest in real estate is in writing

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 reasonably be regarded as disgraceful, dishonorable, unprofessional, or unbecoming a registrant.

AGREED PENALTY

MASOUD KHALILI, the Respondent be ordered to pay a penalty of \$15,000.00 on or before August 8, 2023.

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 Chair of the Discipline Committee (*REBBA 2002*) concluded that the Respondent breached Sections 2 (1), 4, 27 (1), 30, 35, 37 (1), 38, and 39 of the *REBBA 2002* Code of Ethics. The Chair of the Discipline Committee (*REBBA 2002*) is also in agreement with the joint submission of the Parties as to penalty and accordingly makes the following order:

MASOUD KHALILI is Ordered to pay a Fine of \$15,000.00 payable to RECO on or before August 8, 2023.

*[Released: October 20, 2022]*