



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

---

**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- and -**

**IN THE MATTER OF WELCOME PLACE INC., DANIEL MAXSOOD also known as  
MUHAMMAD M. KHAN, TAO ZHANG, and TALAT ASHRAF**

**STATEMENT OF ALLEGATIONS OF  
STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**A. OVERVIEW**

1. This proceeding involves the unregistered trading and illegal distribution of securities by the Respondents Welcome Place Inc. (“Welcome Place”), Daniel Maxsood also known as Muhammad M. Khan (“Maxsood”), Tao Zhang (“Zhang”), and Talat Ashraf (“Ashraf”) (collectively, the “Respondents”) between March 1, 2008 and May 15, 2013 (the “Material Time”). The Respondents breached sections 25 and 53 of the Ontario Securities Act, R.S.O. 1990, c. S.5, as amended (the “Act”) by raising approximately \$5,250,000 through investment contracts, including promissory notes, from approximately 90 investors, who were solicited to participate in an investment scheme created and carried out by Maxsood and Welcome Place.

2. Furthermore, Maxsood and Welcome Place engaged in fraudulent conduct in breach of section 126.1(b) of the Act by misleading investors as to the use of investor funds, by using investor funds to repay investor capital to other investors and by using investor funds for personal expenditures, which uses were not disclosed to investors.

3. In addition, contrary to subsection 44(2) of the Act, Maxsood and Welcome Place made false, inaccurate or misleading statements and failed to disclose important facts to investors and potential investors with respect to securities.

4. The Respondents have acted in a manner contrary to Ontario securities law and contrary to the public interest.

## **B. THE RESPONDENTS**

5. During the Material Time, Welcome Place was a federal company, incorporated on March 3, 2008, with its registered office address in Mississauga, Ontario. Welcome Place has never been registered with the Ontario Securities Commission (the “Commission”) in any capacity. Welcome Place is not a reporting issuer in Ontario. Welcome Place has never filed a prospectus or preliminary prospectus with the Commission.

6. Maxsood is a resident of Oakville, Ontario. Maxsood legally changed his name from Muhammad M. Khan in 2010. He is the founding director of Welcome Place, and its directing mind. He has never been registered with the Commission in any capacity.

7. Zhang is a resident of Oakville, Ontario, and she is the spouse of Maxsood. In June 2012, Welcome Place claimed in an employment letter provided to a financial institution that since January 2011, Zhang was a permanent full-time employee of Welcome Place in the role of Investment Advisor. Zhang has never been registered with the Commission in any capacity.

8. Ashraf is a resident of Mississauga, Ontario. He has worked for Welcome Place since 2011, and is the marketing manager. He has never been registered with the Commission in any capacity.

## **C. THE RESPONDENTS’ MISCONDUCT**

### ***(i) The Solicitation of Investors through the Trading School***

9. Welcome Place operates a trading school located in Mississauga, Ontario. During the Material Time, through radio and newspaper advertisements (mostly on South Asian community stations and papers, and often in Hindi), as well as through the Welcome Place website, Maxsood and Welcome Place offered to teach the public how to trade commodity futures contracts including foreign exchange and indices. In its advertisements, Welcome Place

guaranteed a daily return of \$200 to \$300 if students followed the day trading methods taught by Welcome Place and used its trading software. Similarly, Welcome Place's website represented that investors can "make 24% to 36% Guaranteed".

10. Students were first invited to attend a free seminar presented by Maxsood, who purported to provide information and advice regarding day trading strategies in both English and Hindi. Thereafter, seminar attendees were solicited by Maxsood and Ashraf to sign up for paid trading workshops, for which they were generally charged tuition of approximately \$5,000. During the Material Time, approximately 230 students paid approximately \$730,000 in tuition fees.

11. At these seminars and trading workshops, Maxsood held out Welcome Place's "systematic approach" as providing all the tools necessary to become a successful trader. Maxsood instructed and invited students to follow and copy his trading methodology. Maxsood and Welcome Place purported "to show how the theory can be profitably executed from our personal trading experience". Some students traded in person at the trading school and sought ongoing instruction from Maxsood while doing so.

12. After gaining the students' trust, Maxsood and Ashraf used these seminars and trading workshops to meet potential investors and to promote investment in other business opportunities being pursued by Maxsood. During and after seminars and trading workshops, certain students who participated in, or expressed interest in, Welcome Place's trading workshops were subsequently solicited by Maxsood and/or Ashraf to lend money to Maxsood and/or Welcome Place. In these circumstances, the trading school activities were acts in furtherance of trading, and as particularized below, were part of a fraudulent course of conduct relating to securities. This conduct was also contrary to the public interest.

**(ii) *Particulars of Unregistered Trading and Illegal Distribution***

13. Maxsood, Ashraf and Welcome Place engaged in the solicitation of investors, which included meeting with potential investors in person and on the telephone, discussing the nature of the investment on offer, and making representations regarding guarantees and the purported profits to be earned by entering into the investment.

14. Most of the investors were initially students at Welcome Place. In some instances, however, seminar attendees simply proceeded to make an investment with Maxsood and Welcome Place and did not register for the trading workshop course.

15. Maxsood, Ashraf and Welcome Place represented to investors that they would receive monthly payments of 2% to 3% of their investment, and after receiving back their investment, investors would be entitled to share in the profits arising from Maxsood's and/or Welcome Place's business ventures. Most investors were told that Maxsood was establishing, and then later, operating an import/export business, and that investors would be entitled to share in the profits of that business. However, some investors understood that Maxsood would be applying their loan monies to trade futures utilizing Welcome Place's trading methods and software, which would generate the investment returns for these investors.

16. Investor monies were received by both Maxsood and Ashraf, on behalf of Maxsood and/or Welcome Place, on the basis of the various representations made to investors by Maxsood, Ashraf and Welcome Place. In return for the investment, in many instances promissory notes were drafted, executed and issued to the investors. The promissory notes were issued by Welcome Place and executed by Maxsood. During the Material Time, at least 28 promissory notes were issued to at least 26 investors totalling approximately \$1,365,000 (the "Promissory Notes").

17. The Promissory Notes were similar to one another and typically included a provision stating that the principal is to be returned at the end of the term or within 30 days of written notice given by the investor to the investment company. Each Promissory Note evidenced indebtedness and/or was an "investment contract" and therefore a "security" as defined in subsection 1(1) of the Act.

18. In other instances, formal Promissory Notes were not executed, but investors provided monies to Maxsood and Ashraf on the understanding that the monies were payable for an investment, sometimes including such a notation directly on cheques. The investments being offered by Maxsood, Ashraf and/or Welcome Place were "investment contracts" and therefore securities under the Act.

19. Through representations by Maxsood, Welcome Place and Ashraf, investors in the investment contracts, including the Promissory Notes, were promised that:

- (a) investors would receive monthly payments of between 2-3% of the principal per month, and the loans would repaid in approximately 3-4 years; and
- (b) after the principal was returned, investors would be entitled to share in the profits of Maxsood's business ventures in perpetuity.

20. Maxsood prepared and signed the Promissory Notes and deposited investor funds to several bank accounts in his name and in the name of Welcome Place. In addition to the monies received for which Promissory Notes were issued, accounts in Maxsood's name and in the name of Welcome Place received at least an additional \$3,885,000 from approximately 64 other investors as investment monies. In total, approximately \$5,250,000 was received from approximately 90 investors. The monies received from investors were commingled with tuition fees.

21. Maxsood also directed investor funds to be paid or transferred to the Canadian bank accounts of his spouse. Zhang consequently received a significant amount of funds both from investors directly and from the accounts of Welcome Place and Maxsood as follows:

- (a) \$21,000 directly from people who have been identified as investors;
- (b) \$19,589 transferred from Welcome Place; and
- (c) \$984,006.43 transferred from Maxsood's accounts, which was comprised primarily of funds deposited to Maxsood's accounts as loans from investors and fees for trading workshops.

The receipts of funds by Zhang were acts in furtherance of unregistered trading.

22. Additionally, during the Material Time, Ashraf received funds totalling approximately \$262,000 from various accounts controlled by Maxsood as commission and interest free loans. Further, as compensation for the solicitation of investors, Ashraf became entitled to share in the profits of, and receive other benefits from, Maxsood's business ventures.

23. By engaging in the conduct described above, the Respondents traded and engaged in, or held themselves out as engaging in, the business of trading in securities, namely investment contracts, without being registered with the Commission to trade in such securities during the

Material Time. The Respondents participated in acts, advertisements, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of securities for valuable consideration, in circumstances where there were no exemptions available to them under the Act, contrary to section 25 of the Act.

24. The dealing in Promissory Notes and investment contracts were trades in securities not previously issued and were therefore distributions. The Respondents have never filed a preliminary prospectus or a prospectus with the Commission, and no prospectus receipt has ever been issued to qualify the sale of the Promissory Notes or other investment contracts.

25. Many of the investors did not qualify as accredited investors or meet applicable exemptions from registration and prospectus requirements, nor were inquiries generally made by the Respondents' about investors' financial situation. In some instances, the investors borrowed funds to make the investments, including mortgaging their homes.

***(iii) Particulars of Fraudulent Conduct and Prohibited Representations***

26. Maxsood and Welcome Place engaged in a course of conduct related to securities, commencing with the solicitation of investors through the trading school, which they knew, or ought to have reasonably known, perpetrated a fraud on investors contrary to paragraph 126.1(b) of the Act.

27. While soliciting students and allegedly teaching trading strategies, Maxsood and Welcome Place made statements that they knew or reasonably ought to have known were misleading or untrue. In particular, Maxsood and Welcome Place made the following misleading representations to their students, through advertisements, presentations and/or on the Welcome Place web site:

- (a) Through on-air paid advertisements in the form of interviews and in other presentations, Maxsood purported to have developed a successful trading program, notwithstanding that Maxsood has no formal securities training and has never been registered with the Commission;
- (b) Welcome Place guaranteed that its students will consistently make \$200 to \$300 per day

as long as they followed Welcome Place's strategies, and invited students to "Invest with us and make 24% to 36% yearly guaranteed", notwithstanding the fact that students did not consistently make such returns but instead many sustained losses; and

(c) Welcome Place claimed that it had "removed all the risk".

28. Maxsood and Welcome Place further committed a fraud by using investor funds for purposes other than the investment purposes that were communicated to investors. In addition, Maxsood and Welcome Place perpetrated a fraud on investors by making misleading or untrue statements to investors, including as follows:

(a) that they would receive monthly payments of their principal in the range of 2-3% and repayment of principal within approximately 3-4 years;

(b) by creating the impression and/or making representations that investor funds would be used for business purposes and not disclosing that funds would be used for personal benefit and to make principal repayments to other investors; and

(c) that monthly payments received by investors would be from Maxsood or his business ventures, when in fact, Maxsood and Welcome Place had no source of funds other than what was obtained through new investors and tuition for the trading workshops.

29. Contrary to the representations made to investors, investors' money was used for two primary purposes: payments to other persons who were also investors in the scheme or for Maxsood's personal lifestyle expenses.

30. In particular, during the Material Time, Maxsood directed at least \$1,850,000, of the funds received from investors to be used to make capital repayments to other investors. However, the majority of investors continue to have principal amounts outstanding.

31. Further, Maxsood directed investor funds to be used for the personal benefit of himself and his family members as follows:

(a) in addition to the approximately \$1,000,000 transferred to Zhang's Canadian bank accounts referenced in paragraph 21 above, a further \$44,000 was transferred to a bank account held by Zhang in China;

- (b) approximately \$573,000 was transferred offshore to Thailand and China and paid to family members and/or related parties of Maxsood and/or Zhang;
- (c) approximately \$382,000 was used to make payments to mortgages on properties owned by Maxsood and/or Zhang located in Ontario;
- (d) approximately \$262,000 was used to pay the bills of credit cards in the names of Maxsood, Zhang and Welcome Place;
- (e) approximately \$1,141,000 was transferred to a company called Oseka Co. Ltd. (“Oseka”), incorporated in August 2012 in Bangkok, Thailand, which appears to be an import/export business of which Maxsood is a director and a shareholder; and
- (f) prior to Oseka even being incorporated, approximately \$21,000 was sent to another director of Oseka.

32. Welcome Place had no source of funds other than what it obtained through new investors and tuition for the trading workshop courses. Further, contrary to the representations of Maxsood and Ashraf to investors, only a small portion of the monies raised from investors was used in relation to Maxsood’s import/export business. Oseka did not make any payments to either Maxsood or Welcome Place. As tuition fees and revenues from Welcome Place were insufficient, Maxsood and Welcome Place had no way of repaying the Promissory Note holders and other investors without seeking out additional investors.

33. The representations made to investors were misleading and fraudulent and provided to investors a picture that was not accurate or true.

34. Further, in making these representations or omissions, Maxsood and Welcome Place made statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship with Maxsood and Welcome Place and the statements were untrue or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act.

**D. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

35. The specific allegations advanced by Staff are:

- (a) During the Material Time, all of the Respondents traded and engaged in, or held themselves out as engaging in, the business of trading in securities without being registered to do so in circumstances in which no exemption was available, contrary to paragraph 25(1)(a) of the Act as that section existed at the time the conduct commenced in 2008, and after September 28, 2009, contrary to subsection 25(1) of the Act;
- (b) During the Material Time, all of the Respondents distributed securities when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to subsection 53(1) of the Act;
- (c) During the Material Time, Maxsood and Welcome Place engaged or participated in acts, practices, or courses of conduct relating to securities that they knew perpetrated a fraud on persons or companies contrary to paragraph 126.1(b) of the Act;
- (d) During the Material Time, Maxsood and Welcome Place made statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship with Maxsood and Welcome Place and the statements were untrue or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act;
- (e) During the Material Time, Maxsood, being an officer and director of Welcome Place, authorized, permitted or acquiesced in Welcome Place's non-compliance with Ontario securities law and accordingly failed to comply with Ontario securities law, contrary to section 129.2 of the Act; and

- (f) The Respondents' conduct was contrary to the public interest and harmful to the integrity of the capital markets in Ontario.

36. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, this 18<sup>th</sup> day of December, 2014.