



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

**Re: William Morris Adams, Michelle Ann Crompton,
William Craig Henderson and Ian Omar Webster**

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of Central Regional Council (the “Hearing Panel”) of the Mutual Fund Dealers Association of Canada (the “MFDA”) in the MFDA offices located at 121 King Street West, Suite 1000, Toronto, Ontario on December 6, 2013, at 9:00 a.m. (Eastern), or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against William Morris Adams (“Adams”), Michelle Ann Crompton (“Michelle Crompton”), William Craig Henderson (“Henderson”), and Ian Omar Webster (“Webster”), collectively (the “Respondents”).

DATED this 18th day of October, 2013.

“Jason D. Bennett”

Jason D. Bennett
Corporate Secretary

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, Ontario, M5H 3T9
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NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between October 2008 and December 2008, Adams signed new account opening documents as the mutual fund salesperson responsible for the accounts of at least 12 clients, without having ever met with the clients, thereby failing to perform the necessary due diligence to learn the essential facts relative to the clients and failing to observe high standards of ethics and practice in the conduct of business, contrary to MFDA Rules 2.2.1 and 2.1.1.

Allegation #2: Between March 2007 and August 2008, Adams obtained blank, pre-signed new account opening forms and investment loan applications from at least 12 clients, which he forwarded to a third party to complete and submit to the Member in order to open accounts for the clients and implement a leveraged investment strategy in the accounts, and in so doing:

- (a) participated in an arrangement whereby the third party populated the new account opening documents and investment loan applications with client information which was false, incorrect or misleading, thereby failing to observe high standards of ethics and conduct in the transaction of business and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1; and
- (b) failed to ensure that the leveraged investment strategy was suitable for the clients and in keeping with the clients' investment objectives, contrary to MFDA Rules 2.2.1 and 2.1.1.

Allegation #3: Between May 2007 and September 2008, Webster had and continued in another gainful occupation which was not disclosed to and approved by the Member by advising, recommending, facilitating, or making referrals in respect of mortgages for 6 clients and one other individual, contrary to MFDA Rules 1.2.1(d)¹ and 2.1.1.

Allegation #4: Between May 2007 and October 2008, Michelle Crompton, in her capacity as the designated branch manager, failed to adequately supervise a branch office and failed to ensure that the business conducted on behalf of the Member by Approved Persons at the branch office was in compliance with MFDA By-law, Rules and Policies and applicable securities legislation,

¹ Effective December 1, 2010, the MFDA's Rules were amended. As a consequence, former MFDA Rule 1.2.1(d) was renumbered as current MFDA Rule 1.2.1(c). The wording of the re-numbered Rule was not changed.

contrary to MFDA Rules 2.5.3(b)², 2.1.1 and MFDA Policy No. 2.

Allegation #5: Beginning in or around September 2010, Michelle Crompton and Henderson have failed to attend an interview requested by MFDA Staff during the course of an investigation, contrary to section 22.1 of MFDA By-law No. 1.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

Registration History

Adams

1. Between October 24, 2008 and December 5, 2008, William Morris Adams (“Adams”) was registered in Ontario as a mutual fund salesperson with W.H. Stuart Mutuals Ltd. (“WH Stuart”), a Member of the MFDA. From August 24, 2007 to October 15, 2008 Adams was registered in Ontario as a mutual fund salesperson with Monarch Wealth Corporation (“Monarch”), a Member of the MFDA. Adams had been registered as a mutual fund salesperson since 1997. Adams is currently not registered in the securities industry in any capacity.

2. At all material times, Adams worked out of a branch office located in Ottawa, Ontario.

Michelle Crompton

3. Between May 3, 2007 and October 20, 2008, Michelle Ann Crompton (“Michelle Crompton”) was registered in Ontario as a mutual fund salesperson and branch manager with Monarch. From June 30, 2006 to March 30, 2007, Michelle Crompton was registered in Ontario as a mutual fund salesperson and branch manager with Desjardins Financial Security Investments Inc. (“Desjardins”), a Member of the MFDA. Michelle Crompton had been registered as a mutual fund salesperson since 1997. Michelle Crompton is currently not registered in the securities industry in any capacity.

² On December 3, 2010, MFDA Rule 2.5.3(b) was amended and renumbered to 2.5.5(d).

Henderson

4. Between May 3, 2007 and October 20, 2008, William Craig Henderson (“Henderson”) was registered in Ontario as a mutual fund salesperson with Monarch. From June 30, 2006 to March 30, 2007, Henderson was registered in Ontario as a mutual fund salesperson with Desjardins. Henderson had been registered as a mutual fund salesperson since 1997. Henderson is currently not registered in the securities industry in any capacity.

Webster

5. Between September 28, 2009 and November 6, 2009, Ian Omar Webster (“Webster”) was registered in Ontario as a dealing representative with Monarch. From May 22, 2007 to September 28, 2009, Webster was registered in Ontario and British Columbia as a mutual fund salesperson with Monarch. Webster was registered in Ontario as a mutual fund salesperson with Desjardins between from June 30, 2006 to March 30, 2007. Webster had been registered as a mutual fund salesperson since 1995. Webster is currently not registered in the securities industry in any capacity.

6. At all material times, Michelle Crompton, Henderson and Webster worked out of a branch office located at 4100 Yonge Street, Toronto Ontario (the “York Mills Branch”). Michelle Crompton was the branch manager of the York Mills Branch.

Background

7. In or around November 2006, Desjardins conducted a review of the York Mills Branch. The branch review revealed, among other things, that Approved Persons at the York Mills Branch, including but not limited to Michelle Crompton, Henderson and Webster, were engaged in outside business activities and selling products that were not known to or approved by Desjardins. In particular, the Approved Persons at the York Mills Branch were involved in a company called Canada Mortgage & Lending Corp (“CMLC”) and a leveraged investment strategy called “Debt Free...For Life”. The audit revealed that Bradley Crompton was the

President of CMLC.³

8. In or around May 2007, as a result of the branch review, Michelle Crompton, Henderson and Webster, along with the other Approved Persons at the York Mills Branch, resigned from Desjardins and transferred their registration to Monarch.

9. While registered with Monarch, the York Mills Branch operated under the trade name of Canada Mortgage & Lending Corp. The “CMLC” trade name was approved by Monarch to be used in conjunction with the business of Monarch.

10. In or around August 2007, CMLC opened a branch in Ottawa. Adams was hired by CMLC as the Regional Sales Manager for the CMLC branch in Ottawa. At the time, Adams was registered as a mutual fund salesperson with Monarch.

11. Commencing in or around November 2008, Monarch received a number of complaints from clients pertaining to a leveraged investment strategy which the clients associated with CMLC.

12. Monarch investigated the complaints and found, among other things, that unregistered individuals were servicing client accounts and that the clients' net worth and/or incomes had been inflated on investment loan applications that had been used to implement leveraged investment strategies in the accounts of the clients.

CMLC and Debt Free...For Life:

13. CMLC promoted through newspaper ads and other media a leveraged investment strategy called “Debt Free...For Life” (the “Leveraged Investment Strategy”).

14. The Leveraged Investment Strategy was not known to or approved by Monarch.⁴

³ Bradley Crompton is the spouse of Michelle Crompton. Bradley Crompton is the Respondent in the Notice of Hearing File No. 201258.

⁴ Monarch was aware that clients of CMLC were implementing leveraged investment strategies in their accounts but was not aware of the promotion or branding of those leveraged investments to clients as part of the “Debt Free...for Life” program.

15. Individuals answering the ads would receive an information package through the mail from CMLC entitled “Special Report”. The Special Report contained information regarding a program (the Leveraged Investment Strategy) that purported to, among other things, consolidate a client’s debt while increasing their cash flow and reducing their taxes.

16. CMLC would contact the individuals to set up meetings with CMLC representatives to discuss the Leveraged Investment Strategy.

17. The Leveraged Investment Strategy included recommendations that interested individuals become clients of Monarch, obtain investment loans or refinance the equity in their homes, and then use the borrowed monies to purchase mutual funds for their accounts and, for certain clients, a universal life insurance policy as well.

18. In most cases, CMLC recommended that clients use the borrowed monies to purchase return of capital (“ROC”) mutual funds.⁵ CMLC represented to the clients that the monthly distributions from the mutual funds they invested in would be sufficient to cover the payments on their investment loans, the premiums on life insurance policies and/or provide extra income.

Allegation #1: (Adams)

19. As stated above, effective October 24, 2008, Adams registration as a mutual fund salesperson was transferred from Monarch to WH Stuart.

20. Following Adams’ registration at WH Stuart, the Chief Compliance Officer (“CCO”) of WH Stuart contacted eight clients who had transferred their accounts from Monarch to WH Stuart to welcome the clients to the firm. Adams was the mutual fund salesperson assigned to the clients’ accounts. The CCO was advised by some of the clients that they had never met Adams. The clients identified Michelle Crompton, Bradley Crompton and a non-registered individual employed by CMLC as the individuals with whom they had dealt in relation to their accounts.

⁵ “Return of capital” mutual funds are structured to pay a set monthly distribution (for example, 8%) to an investor that may include a return of the capital originally invested by the investor. In the event the value of these funds declines due to deteriorating market conditions or poor investment performance such that the amount of the promised monthly distributions exceeds the actual increase in the value of the funds, there is a real and substantial risk that the funds will be required to reduce, suspend or cancel altogether, the monthly distributions paid to investors.

21. On December 5, 2008, the CCO of WH Stuart sent an email to Adams informing him that he had contacted several of Adams' clients to welcome them to WH Stuart and in doing so, discovered that several of the clients had never met with Adams even though Adams had signed their new account opening documents at WH Stuart as the mutual funds salesperson assigned to their accounts.

22. On December 5, 2008, Adams responded by email to the CCO claiming that he had met with the clients directly to complete the documentation or had reviewed the documentation with the clients over the telephone.

23. On December 5, 2008, WH Stuart terminated Adams with cause for "allowing non-approved personnel to facilitate the completion of Account Opening documents".

24. On December 10, 2008, WH Stuart filed a report through the MFDA's Member Events Tracking System ("METS") in accordance with MFDA Policy No. 6 advising that Adams had been terminated with cause effective December 5, 2008. In the METS report, WH Stuart advised that they became aware that Adams had arranged for non-registered individuals to meet with clients on his behalf to complete WH Stuart account opening documents and that Adams had signed the clients' new account opening documents without having ever met with the clients.

25. On August 24, 2010, Adams attended an interview with Staff of the MFDA and admitted that during the period October 2008 to December 2008 he had not in fact met with a total of 16 clients that had completed WH Stuart new account applications which he had signed as the mutual fund salesperson assigned to their accounts. He also admitted that he had not spoken with at least 12 of those 16 clients (Adams could not recall whether he had spoken with four of the clients).

26. By engaging in the conduct described above, Adams signed new account opening documents for at least 12 clients without meeting with the clients and performing the necessary due diligence to learn the essential facts relative to the clients, contrary to MFDA Rules 2.2.1 and 2.1.1.

Allegation #2: (Adams)

27. Between March 2007 and August 2008, Adams met with at least 14 clients to discuss the Leveraged Investment Strategy with them. Adams recommended that they obtain investment loans or refinance the equity in their homes and use the borrowed monies to purchase mutual funds for their accounts.

28. Adams prepared a CMLC Financial Planning Division Fact Finder (“Fact Finder”) for each client that contained the clients’ KYC information.

29. Adams also prepared and had the clients’ sign in blank the following documents:

- (a) Monarch new account opening documents in which the clients’ KYC information was left blank (i.e. was not populated on the document); and
- (b) investment loan applications in which the clients’ information, the loan amount and the specific mutual fund(s) to be purchased with the proceeds of the investment loans were all left blank.

30. Adams signed the clients’ Fact Finder, Monarch new account opening documents and the investment loan applications and sent them to CMLC’s “Underwriting Department” located in the York Mills Branch in Toronto.⁶ The Underwriting Department would then populate the KYC information in the Monarch new account opening documents as well as the client information, loan amount and the specific mutual fund(s) to be purchased on the investment loan applications. The Underwriting Department populated the new account opening documents with false, incorrect or misleading client information designed to ensure the documentation would pass supervisory review by Monarch and would meet any criteria for the investment loans imposed by the lenders.

31. The Underwriting Department sent the completed Monarch new account opening documents and the investment loan applications directly from the York Mills Branch to Monarch for processing (i.e. they did not return the documents to Adams for his review and approval prior to the documents being submitted to Monarch). Neither Monarch nor the lender received the copy of the Fact Finder document which Adams completed with the clients and contained the

⁶ “Underwriting Department” was a term used by employees of CMLC. The Underwriting Department was made up of non-registered administrative staff, whose role was to complete the KYC information in a manner to ensure the client would qualify for the Leveraged Investment Strategy and the investment loans having regard to Monarch’s internal supervisory requirements and the lenders’ criteria, even if it meant falsifying the client’s KYC information.

clients' correct KYC information.

32. Relying (unwittingly) on the new account opening documents and the investment loan applications which had been populated by the Underwriting Department with false, misleading or incorrect information, Monarch opened accounts for the clients and processed the investment loan applications with the lenders and thereafter Adams implemented the Leveraged Investment Strategy in the clients' accounts.

33. On August 24, 2010, Adams attended an interview with Staff and stated that he was under strict instructions from Bradley Crompton and Michelle Crompton to have the Monarch NAAF's and investment loan applications signed by the clients in blank and to then submit the documents, along with the Fact Finder, to the CMLC Underwriting Department at the York Mills Branch in Toronto. Adams stated that he was told by Bradley Crompton that the Monarch NAAF's and investment loan applications would be completed using the information from the Fact Finder which Adams had completed with the clients.

34. At all material times, Adams knew, or ought reasonably to have known had he reviewed the completed documents or compared them to the CMLC Fact Finder he had completed with the clients, that the Underwriting Department was completing the Monarch new account opening documents and the investment loan applications with client information that was false, misleading or incorrect.

35. By engaging in the conduct described above, between March 2007 and August 2008 Adams obtained blank, pre-signed new account opening forms and investment loan applications from at least 12 clients and in so doing:

- (a) participated in an arrangement whereby a third party, CMLC's "Underwriting Department", populated the new account opening documents and investment loan applications with client information which was false, incorrect or misleading, thereby failing to observe high standards of ethics and conduct in the transaction of business and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1; and
- (b) failed to ensure that the Leveraged Investment Strategy implemented in the clients' accounts was suitable for the clients and in keeping with the clients'

investment objectives, contrary to MFDA Rules 2.2.1 and 2.1.1.

Allegation #3 (Webster)

36. From May 2007 to September 2008, Webster was working out of the York Mills Branch of CMLC. During this time, Webster engaged in outside business activities by advising, recommending, facilitating or making referrals in respect of mortgages obtained by six clients and one other individual.

37. At all material times, Monarch's Compliance Manual prohibited Approved Persons from engaging in outside business activity without first providing notice in writing and obtaining written approval from Monarch.

38. On May 6, 2007, Webster completed Monarch's New Investment Representative Package. On the Dual Occupation Disclosure and Approval Form Webster only stated "Funds" and "Insurance" as his sources of business income.

39. On November 11, 2008, Webster completed Monarch's Annual Advisor Disclosure Form. In response to Monarch's question "Do you have a dual occupation or outside business activity that you are involved in?", Webster stated "No".

40. Webster did not seek or obtain approval from Monarch with respect to his involvement in facilitating mortgages. Monarch was not aware of and did not approve any of Webster's outside business activities with the exception of insurance.

41. By engaging in the activity described above, between May 2007 and September 2008 Webster had and continued in another gainful occupation which was not disclosed to and approved by Monarch by advising, recommending, facilitating, or making referrals in respect of mortgages obtained by six clients and one other individual, contrary to MFDA Rules 1.2.1(d) and 2.1.1.

Allegation #4: (Michelle Crompton)

42. In or around May 2007, CMLC hired two non-registered persons to meet with clients at

the York Mills Branch. The non-registered persons were not employees or agents of Monarch. The non-registered persons were trained and instructed by CMLC to present the Leveraged Investment Strategy to interested individuals.

43. The non-registered persons would meet with Monarch clients, obtain relevant information from the clients, recommend the Leveraged Investment Strategy to the clients and then complete the requisite documents, including Monarch new account opening documents and investment loan applications, to facilitate the implementation of the Leveraged Investment Strategy in the clients' accounts.

44. Michelle Crompton and Bradley Crompton instructed the non-registered persons to get the clients to sign the Monarch new account opening documents and the investment loan applications in blank (i.e. without the client's KYC information filled out). The documents would then be sent to the CMLC Underwriting Department. The Underwriting Department would then populate the KYC information in the documents in a manner which would ensure the documentation would pass supervisory review by Monarch and meet any criteria imposed by the lenders. An Approved Person at the York Mills Branch then reviewed the completed documentation for completeness only and signed it as the mutual fund salesperson ostensibly servicing the accounts. In most cases, the Approved Person who signed the documentation had never met with met with the client; if the Approved Person had met with or spoken to the client briefly, the Approved Person had not engaged in the account opening process with the client in any meaningful way. Once the Monarch new account opening documents and investment loan applications had been signed by the Approved Person, the documents were returned to the Underwriting Department to be delivered to Monarch for processing.

45. At all material times, the clients were led to believe and understood that the non-registered persons at CMLC with whom they dealt were responsible for their accounts.

Client Complaints

46. On July 3, 2008, Monarch received a complaint from client MC. Adams was the mutual funds salesperson assigned to the account.

47. Between July and August 2008, Monarch and Michelle Crompton exchanged a series of

correspondence with respect to the complaint from client MC.

48. On September 4, 2008, the Ontario Securities Commission (“OSC”) received a complaint from client DA. Henderson was the mutual funds salesperson assigned to client DA’s account.

49. On or about September 5, 2008, Monarch became aware of eight investment loans processed for clients of the York Mills Branch (as well as Adams in Ottawa) with AGF Trust Inc. that were in arrears. On September 5, 2008, Monarch stopped processing all pending investment loans applications to AGF Trust received from the York Mills Branch (and Adams).

50. On or about September 8, 2008, Monarch became aware of up to 25 clients associated with the York Mills Branch (as well as Adams in Ottawa) who may have had issues relating to the repayment of their investment loans.

51. On September 9, 2008, Monarch stopped processing all pending investment loan applications to B2B Trust Inc. received from the York Mills Branch (and Adams). Monarch sent a letter to Michelle Crompton dated September 9, 2008, advising that Monarch would not process any further investment loan applications received from the York Mills Branch until all client issues had been investigated and properly resolved. Monarch also stated that they would be conducting a review of the York Mills Branch.

52. On September 10, 2008, Monarch conducted a review of the York Mills Branch. During the review, Monarch was advised by Michelle Crompton that:

- a) Despite being aware of issues related to the repayment of investment loans, she had made limited attempts to contact the clients and/or made no attempt to resolve the issues;
- b) She had failed to advise Monarch's Compliance Department of any client issues relating to the repayment of investment loans; and
- c) She was aware that Bradley Crompton, an unregistered person, was providing investment advice with respect to leveraged investing with mutual funds.

53. On September 22, 2008, Monarch sent a letter to Bradley Crompton, in his capacity as President of CMLC (which operated the York Mills Branch), summarizing the compliance

deficiencies identified at the York Mills Branch during the review and setting out a timeline to rectify the deficiencies. Monarch placed the York Mills Branch on strict supervision for a period of six months and issued a warning letter to Michelle Crompton for inadequate branch supervision and required her to undergo Branch Manager training. Monarch also requested confirmation from Brad Crompton, in his capacity as the President of CMLC, that he would be responsible for reimbursing all clients who had incurred, or would incur, losses, costs or fees relating to the performance of their leveraged investments or any steps required to be taken to unwind the leveraged investments.

54. At all material times, Michelle Crompton was the designated branch manager responsible for supervising trading activity at the York Mills Branch and ensuring that any business conducted on behalf of Monarch at those locations was in compliance with Monarch's policies and procedures, MFDA By-laws, Rules and Policies and applicable securities legislation.

55. The deficiencies at the York Mills Branch were not addressed nor did Bradley Crompton confirm that CMLC would reimburse clients for any losses or costs incurred as a result of the leveraged investment activity relating to CMLC, as set out in the September 22, 2008 letter.

56. On October 20, 2008, Monarch terminated Michelle Crompton for failing to adequately supervise investment activity and investment loans processed through the York Mills Branch (including Adams' activity in Ottawa).

57. Due to the Respondent's failure to cooperate with MFDA Staff's investigation, as described in further detail in Allegation #5 below, Staff was unable to determine the full nature and extent of Michelle Crompton's involvement in the CMLC activity described herein.

58. By engaging in the conduct described above, between May 2007 and October 2008, Michelle Crompton, in her capacity as the designated branch manager, failed to adequately supervise a branch and failed to ensure that the business conducted on behalf of the Member by Approved Persons at the branch was in compliance with applicable securities legislation and the MFDA By-law and Rules, contrary to MFDA Rules 2.5.3(b), 2.1.1 and MFDA Policy No. 2.

Allegation #5:

59. As described in greater detail below, Michelle Crompton and Henderson failed to cooperate with MFDA Staff's investigation of this matter.
60. In or around February 2010, MFDA Staff contacted Michelle Crompton and Henderson to schedule their attendance for an interview as part of Staff's investigation into their activities while at Monarch. Staff was advised that Michelle Crompton and Henderson had retained the same counsel to represent them (the "Counsel").⁷
61. Between March 2010 and August 2010, Staff and the Counsel communicated with respect to scheduling the attendance of Michelle Crompton and Henderson for an interview.
62. On August 17, 2010, the Counsel advised Staff that his clients were available during the week of September 21, 2010.
63. On August 23, 2010, Staff sent an email to the Counsel proposing the following dates for the interviews:
- (a) Henderson: September 21, 2010;
 - (b) Michelle Crompton: September 22, 2010; and
 - (c) Bradley Crompton: September 23, 2010.
64. On September 7, 2010, the Counsel confirmed the attendance of Michelle Crompton and requested that the interview dates for Bradley Crompton and Henderson be switched, as Bradley Crompton was not available on September 23, 2010.
65. On September 8, 2010, Staff replied confirming Henderson's interview date for September 21, 2010 and requested further available dates Bradley Crompton.
66. On September 16, 2010, the Counsel advised that he was no longer retained by Bradley Crompton, Michelle Crompton and Henderson. The Counsel also advised that it was his understanding that Bradley Crompton, Michelle Crompton and Henderson would not be attending the scheduled interviews.

⁷ At the material time, the same counsel also represented Bradley Crompton.

67. On September 22, 2010, Staff of the MFDA sent letters to Henderson, Michelle Crompton and Bradley Crompton requesting their attendance for an interview on the following dates, respectively: October 19, 20, and 21, 2010.

68. Henderson, Michelle Crompton and Bradley Crompton failed to attend at their respective interviews and on October 26, 2010, Staff wrote again to Henderson, Michelle Crompton and Bradley Crompton requesting their attendance for an interview on the following dates, respectively: November 23, 24 and 25, 2010. The letters were delivered to Henderson, Michelle Crompton and Bradley Crompton by personal service.

69. On November 22, 2010, Henderson sent an email to Staff of the MFDA to advise that he wished to postpone the interview. Henderson wrote: "...I am no longer in the Mutual Fund industry, and I currently do not intend to reinstate my license to sell Mutual Funds." On November 23, 2010, Staff of the MFDA replied to Henderson by email to advise that he was required to attend the interview, failing which, the MFDA would consider initiating disciplinary proceedings against him.

70. On November 23, 2010, Michelle Crompton sent an email to Staff of the MFDA, attaching a letter, in which she stated that he would not be attending the interview on November 24, 2010. In the attached letter, Michelle Crompton stated: "I am writing to inform you that I no longer wish to retain or re-license myself with regards to the MFDA..."

71. To date Michelle Crompton and Henderson have failed to cooperate with MFDA Staff's investigation. As a result of their failure to attend an interview, Staff of the MFDA has not been able to determine the full nature and extent of their involvement in the activity described above.

72. Beginning in or around September 2010, Michelle Crompton and Henderson have failed to attend an interview requested by MFDA Staff during the course of an investigation, contrary to section 22.1 of MFDA By-law No. 1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with the MFDA;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;
- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;

- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Corporate Secretary within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, Ontario
M5H 3T9
Attention: H. C. Clement Wai
Fax: 416-361-9073
Email: cwai@mfd.ca

A **Reply** shall be **filed** by:

- (a) providing 4 copies of the **Reply** to the Corporate Secretary by personal delivery, mail or courier to:

The Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, Ontario
M5H 3T9
Attention: Office of the Corporate Secretary; or

- (b) transmitting 1 copy of the **Reply** to the Corporate Secretary by fax to fax number 416-361-9781, provided that the Reply does not exceed 16 pages, inclusive of the covering page, unless the Corporate Secretary permits otherwise; or
- (c) transmitting 1 electronic copy of the **Reply** to the Corporate Secretary by e-mail at CorporateSecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- (a) to **serve and file a Reply**; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.

End.

DM 357341 v1