



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

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

**Re: Ronald Lindsay Brown and Dylan Brown**

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**NOTICE OF HEARING**

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**NOTICE** is hereby given that a first appearance will take place by teleconference before a Hearing Panel (the "Hearing Panel") of the Regional Council of the Central Region of the Mutual Fund Dealers Association of Canada (the "MFDA"), in the hearing room located at 121 King Street West, Suite 1000, Toronto, Ontario on Wednesday, July 23, 2008 at 10:00 a.m. (Toronto) or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Ronald Lindsay Brown and Dylan Brown (collectively referred to as the "Respondents").

**DATED** at Toronto this 14th day of May, 2008.

"Gregory J. Ljubic"

Gregory J. Ljubic  
Corporate Secretary

Mutual Fund Dealers Association of Canada  
121 King St. West  
Suite 1000  
Toronto, Ontario  
M5H 3T9  
Telephone: (416) 943-5836  
Fax: (416) 361-9781  
E-mail: corporatesecretary@mfda.ca

**NOTICE** is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

**Allegation #1:** Between May 2, 2002 and May 19, 2006, the Respondent Ronald Lindsay Brown (“Ronald Brown”) engaged in securities related business that was not carried on for the account of the Member or through the facilities of the Member by selling units of the Atrium Limited Partnership (“ALP”), the Villabar Properties (2003) Limited Partnership (“VPLP2003”), the Lighthouse Pointe Limited Partnership (“LPLP”) and the Villabar Properties (2005) Limited Partnership (“VPLP2005”), to clients and other individuals, contrary to MFDA Rule 1.1.1.

**Allegation #2:** Between May 2, 2002 and May 19, 2006, the Respondent Ronald Brown sold units of the VPLP2005 to Client RS in reliance on the accredited investor exemption contained in OSC Rule 45-501 and subsequently NI 45-106, when he knew or ought to have known that RS did not qualify for the exemption, contrary to MFDA Rule 2.1.1.

**Allegation #3:** Between May 2, 2002 and May 19, 2006, the Respondent Ronald Brown denied selling limited partnerships and receiving commissions from the sales of limited partnerships in response to Member inquiries, thereby misleading the Member and frustrating its efforts to ensure compliance with the MFDA By-laws, Rules, Policies and applicable securities legislation, contrary to MFDA Rules 1.1.2 and MFDA 2.1.1.

**Allegation #4:** Between May 2, 2002 and June 30, 2002, the Respondent Dylan Brown, as co-branch manager, knew or ought to have known that the Respondent Ronald Brown was engaging in securities related business that was not carried on for the account of the Member or through the facilities of the Member and failed to take appropriate supervisory action, contrary to MFDA Rule 2.5.3 and MFDA Policy No. 2.

## **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**

#### **I. Ronald Brown**

1. Between May 2, 2002 and May 19, 2006 (the material time covered by these allegations), the Respondent Ronald Brown was registered in Ontario as a mutual fund salesperson and Branch Manager with Independent Planning Group Inc. (“IPG”). On May 19, 2006, Ronald Brown ceased employment with IPG and since July 5, 2006, he has been registered as a mutual fund salesperson with Sterling Mutuals Inc.

2. Prior to joining IPG, from August 1993 to April 2002, Ronald Brown was registered as a branch manager and mutual fund salesperson with Money Concepts Corp. (“Money Concepts”).<sup>1</sup>

#### **II. Dylan Brown**

3. The Respondent Dylan Brown (“Dylan Brown”) is the son of Ronald Brown. Between May 2, 2002 and June 30, 2006, Dylan Brown was registered as a mutual fund salesperson in Ontario and British Columbia and as a co-branch manager along with Ronald Brown at their shared IPG Ontario branch office. Dylan Brown was responsible for and generally carried out trade reviews of Ronald Brown’s trading.

4. Prior to joining IPG, Dylan Brown was registered from January 1999 to April 2002 as a mutual fund salesperson with Money Concepts. During his employment with Money Concepts, Dylan Brown was under the supervision of his father who was branch manager of the location in which he was employed.

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<sup>1</sup> On October 9, 2001, Money Concepts changed its name to Aegon Dealer Services Canada Inc.

5. On June 30, 2006, Dylan Brown ceased employment with IPG and on that same date he commenced employment as a mutual fund salesperson with Sterling Mutuals Inc. where he continues to work as an Approved Person.

### **III. Independent Planning Group Inc.**

6. IPG has been a member of the MFDA since February 8, 2002.

#### **Activity outside the Member**

7. In October 2002, Ronald Brown sought permission from IPG to sell units in limited partnership investments offered by the Jaymor Group of Companies (“Jaymor”). Jaymor invested in real estate properties located in Florida. On or about October 22, 2002, Ronald Brown was advised by IPG that the sale of Jaymor products was prohibited.

8. Between November 2002 and November 2005, Ronald Brown sold \$233,339.75 of units in the Atrium Limited Partnership (“ALP”), the Villabar Properties (2003) Limited Partnership (“VPLP2003”), the Lighthouse Pointe Limited Partnership (“LPLP”) and the Villabar Properties (2005) Limited Partnership (“VPLP2005”) issued by Villabar Properties Inc. (“Villabar”) to clients and other individuals. The sales were not carried on for the account of IPG or through the facilities of IPG, contrary to MFDA Rule 1.1.1.

9. Investments in the ALP, VPLP2003, LPLP and the VPLP2005 required purchasers to complete subscription agreements detailing the amounts invested by each purchaser in cash as well as the portion being financed through a mortgage assumption agreement executed on the property. The table below lists the total amount invested by each individual:

Name	Date of Purchase	Total Amount Invested (CDN)	Limited Partnership	Cash Invested (CDN)	Mortgage Amount Assumed (CDN)
EG	November 5, 2002	\$150,000.00	ALP	\$57,771.00	\$92,229.00
HG	October 30, 2003	\$122,000.00	VPLP2003	\$40,000.00	\$82,000.00
Client PD	December 19, 2003	\$190,275.00	LPLP	\$47,568.75	\$142,706.25
Client RS	November 21, 2005	\$151,000.00	VPLP2005	\$44,000.00	\$107,000.00
Client DV	November 25, 2005	\$151,000.00	VPLP2005	\$44,000.00	\$107,000.00
	<b>Total</b>	<b>\$764,275.00</b>		<b>\$233,339.75</b>	<b>\$530,935.25</b>

10. The ALP, VPLP2003, LPLP and VPLP2005 units were offered to investors in Ontario in reliance on the accredited investor exemption contained in OSC Rule 45-501 and subsequently, National Instrument 45-106.<sup>2</sup> Ronald Brown sold the VPLP2005 units to Client RS in reliance on the accredited investor exemption under the *Securities Act* (Ontario) and related instruments. Client RS did not qualify for the accredited investor exemption based on the Know-Your-Client information maintained in his file at the time the investment was made. Ronald Brown knew or ought to have known that RS did not qualify for the exemption, contrary to MFDA Rule 2.1.1.

11. Ronald Brown was paid a total of \$41,422.17 in commissions from the sale of the limited partnerships between 2002 and 2005.

12. On February 18, 2003, July 2, 2003 and November 17, 2004 Ronald Brown signed and submitted a copy of IPG's "Branch Manager or Associate Compliance Questionnaire" to IPG. On each questionnaire Ronald Brown acknowledged IPG's policy that sales of limited partnerships require Head Office approval and falsely stated that he had not entered into or received fees from any such sales in the previous year.

13. On May 4, 2006, the Ontario Securities Commission informed IPG that Ronald Brown had sold limited partnerships on behalf of Jaymor and after a review by IPG, Ronald Brown ceased employment with IPG on May 19, 2006.

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<sup>2</sup> Section 2.3 of OSC Rule 45-501. In September 2005, National Instrument 45-106 was issued. Much of OSC Rule 45-501 was incorporated into NI 45-106 and the "accredited investor" exemption was amended slightly, but the amendments are not relevant to the subject matter of this settlement.

14. As of April 2, 2008, the current value of the investments by the individuals who purchased units of ALP, LPLP and VPLP2003 and VPLP2005 through Ronald Brown is unknown.

**Failure to fulfill Branch Manager Responsibilities**

15. In 2002, Dylan Brown was the payee of a sales commission cheque for \$9,408.42 issued by Jaymor in relation to Ronald Brown's sale of ALP units to EG.

16. No later than his receipt and acceptance of this commission cheque pertaining to the sale of the ALP units to EG, Dylan Brown became aware of and did not report or disclose to IPG Ronald Brown's sales of ALP, VPLP2003 and VPLP2005 units outside the Member.

17. IPG conducted a review of the matter and on June 30, 2006, Dylan Brown ceased employment with IPG.

**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, ON M5H 3T9  
Attention: [Enforcement Counsel]  
Fax:  
Email:

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, ON 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.**

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