



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

NEWS RELEASE

For immediate release

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MFDA issues Notice of Hearing regarding Farm Mutual Financial Services Inc.

June 3, 2008 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada (“MFDA”) today announced that it has commenced disciplinary proceedings against Farm Mutual Financial Services Inc.

MFDA staff alleges in its Notice of Hearing that Farm Mutual Financial Services Inc. (the “Respondent”) engaged in the following conduct contrary to the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between June 2003 and April 2007, the Respondent approved and allowed the sale of debentures (the “Debentures”) issued by FactorCorp Financial Inc. (“FactorCorp”) to approximately 680 of the Respondent’s clients without having conducted reasonable due diligence on the product and without having made reasonable inquiries to determine whether the product was suitable for sale to its clients, contrary to MFDA Rule 2.2.1(a), (b), (c) and (d) and MFDA Rule 2.1.1(c).

Allegation #2: Between June 2003 and April 2007, the Respondent approved and allowed the sale of the Debentures to approximately 680 of its clients without ensuring that:

- a) the investments were suitable for the clients and in keeping with the clients’ investment objectives, contrary to MFDA Rule 2.2.1(a), (b), (c) and (d) and MFDA Rule 2.1.1(c); and
- b) the clients qualified as accredited investors in accordance with Ontario Securities Commission Rule 45-501 and subsequently National Instrument 45-106, contrary to MFDA Rule 2.1.1(c), thereby engaging the jurisdiction of the Hearing Panel to impose a penalty on the Respondent pursuant to s. 24.1.2(n) of MFDA By-Law No. 1.

Allegation #3: Between June 2003 and September 2006, the Respondent failed to ensure that all sales of the Debentures to its clients were properly conducted through the facilities of the Respondent, contrary to MFDA Rule 1.1.1(a).

Allegation #4: Between June 2003 and April 2007, the Respondent failed to establish, implement and maintain policies and procedures to adequately and effectively supervise the sale of the Debentures to its clients, contrary to MFDA Rules 2.5.1 and 2.1.1(c) and MFDA Policy No. 2.

Allegation #5: Commencing December 2003, the Respondent failed to establish, implement and maintain an adequate two-tier structure to supervise client account activity, and in particular failed to perform daily head office suitability reviews of trades conducted by its Approved Persons and/or failed to maintain evidence of such reviews, contrary to MFDA Rule 2.5.1 and Policy 2.

Allegation #6: Between May 2002 and May 2007, the Respondent failed to maintain adequate compliance staff to monitor adherence by the Member, and any person conducting business on account of the Member, to MFDA Rules, By-laws and Policies and applicable securities legislation requirements, contrary to MFDA Rule 2.5.1 and MFDA Rule 2.5.2(b).

The first appearance in this matter will take place by teleconference before a Hearing Panel of the MFDA Central Regional Council in the Hearing Room located at the offices of the MFDA, 121 King Street West, Suite 1000, Toronto, Ontario on Friday, June 27, 2008 at 10:00 a.m. (Eastern) or as soon thereafter as can be held.

The purpose of the first appearance is to schedule the date for the commencement of the hearing on its merits and to address any other procedural matters.

The first appearance is open to the public, except as may be required for the protection of confidential matters. Members of the public attending the first appearance will be able to listen to the proceeding by teleconference.

A copy of the Notice of Hearing is available on the MFDA website at www.mfda.ca.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 157 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

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