



NEWS RELEASE

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MFDA issues Notice of Hearing regarding ASL Direct Inc. and Adrian Samuel Leemhuis

October 20, 2008 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada (“MFDA”) today announced that it has commenced disciplinary proceedings against ASL Direct Inc. and Adrian Samuel Leemhuis (the “Respondents”).

MFDA staff alleges in its Notice of Hearing that the Respondents engaged in the following conduct contrary to the By-laws, Rules or Policies of the MFDA:

Allegation #1:

- (a) Commencing in March 2003, ASL failed to:
 - (i) consistently maintain minimum capital and risk adjusted capital required by MFDA Rule 3.1.1; and
 - (ii) consistently maintain the minimum amount of insurance required by MFDA Rules 4.1 and 4.4;
- (b) Commencing in March 2004, ASL failed to:
 - (i) consistently maintain risk adjusted capital (“RAC”) to avoid triggering early warning tests set out in MFDA rule 3.4.2(a); and
 - (ii) file monthly and annual financial questionnaires and reports (“FQRs”) on a timely basis as required by MFDA Rule 3.5.1;
- (c) Commencing in April 2008, ASL has failed to:
 - (i) comply with early warning requirements that were applicable pursuant to MFDA Rule 3.4.2(b); and
 - (ii) respond to requests for information from the MFDA Compliance Department concerning its financial circumstances, contrary to s. 22 of MFDA By-law No. 1 (the “By-law”).
- (d) Since May 5, 2008 when ASL was informed by MFDA Staff of its increased insurance requirements because ASL was holding nominee name assets, ASL has failed to rectify the deficiency, contrary to MFDA Rule 4.5(b).

Allegation #2: Commencing in July 2006, the Respondents failed to deal fairly honestly and in good faith with clients of ASL by operating a trailer fee rebate program for which clients were charged monthly fees and failing to pay or re-invest trailer fee rebates owed to clients in the program or to maintain adequate records or take sufficient action to administer the program effectively, contrary to MFDA Rules 2.1.1 and 5;

Allegation #3: Between March 2004 and April 2008, Leemhuis conducted securities related business that was not carried out for the account of ASL, contrary to MFDA Rule 1.1.1(a);

Allegation #4: Between February 2004 and April 2008, Leemhuis was engaged in outside business activities that were not disclosed in Form 33-109F4 or on the National Registration Database (“NRD”) as required, contrary to MFDA Rules 1.2.1(d), 2.1.1(c) and National Instrument 33-109;

Allegation #5: Between May 2006 and April 2008, in response to direct inquiries from MFDA Staff, the Respondents:

- (a) withheld relevant information;
- (b) provided false or misleading information to the MFDA;
- (c) failed to produce certain documents and information requested by MFDA investigators which the Respondents undertook to produce; and
- (d) failed to comply with the requests of MFDA Staff for production of an up to date client list and client account statements,

contrary to s. 22 of MFDA By-law No. 1 (the “By-law”) and MFDA Rules 2.1.1 and 5. Such information was relevant to, among other things, Leemhuis’s involvement with off-shore mutual funds and other companies and ASL’s compliance with its regulatory obligations.

Allegation #6: The Respondents have failed to operate ASL in a compliant manner in accordance with its regulatory obligations, as particularized below:

- (a) The Respondents failed to maintain adequate records of trade supervision, contrary to MFDA Rules 2.5 and 5 and MFDA Policy No. 2;
- (b) The Respondents permitted trading by mutual fund clients of ASL without first obtaining appropriately completed and approved New Account Application Forms (“NAAF”) for such clients, contrary to MFDA Rule 2.2;
- (c) Between the summer of 2004 and September 2007, the Respondents permitted an unregistered individual named Anil Jain to conduct securities related business for clients of ASL, contrary to MFDA Rule 1.1.5(a);
- (d) The Respondents failed to implement a system to properly distribute on a cash basis, interest earned in the Member’s mutual fund trust account contrary to MFDA Rule 3.3.2(h), MFDA Policy No. 4 and National Instrument 81-102;
- (e) A referral arrangement engaged in by the Respondents did not comply with MFDA Rule 2.4.2(b); and

- (f) The Respondents failed to process trade orders on a timely basis, contrary to National Instrument 81-102 and MFDA Policy No. 2.

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 Monday, November 24, 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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