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

IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA

Re: HollisWealth Advisory Services Inc.

Heard: March 7, 2017 in Toronto, Ontario
Decision: March 7, 2017
Reasons for Decision: March 27, 2017

REASONS FOR DECISION FOR ACCEPTANCE OF SETTLEMENT AGREEMENT

Hearing Panel of the Central Regional Council:

Paul M. Moore, Q.C.	Chair
Guenther W.K. Kleberg	Industry Representative
Kenneth Mann	Industry Representative

Appearances:

David Babin	)	Counsel for the Mutual Fund Dealers Association of Canada
David Di Paolo	)	Counsel for the Respondent

Settlement Agreement

1. The Hearing Panel accepted the settlement agreement dated January 26, 2017 (the "Settlement Agreement") between the staff of the MFDA and HollisWealth Advisory Services Inc. (the "Respondent"). A copy of the Settlement Agreement is attached to these reasons as Schedule "1". The agreed facts are set out in section IV of the agreement.

Contraventions

2. The Respondent admitted that:

a) between November 5, 2004 and May 20, 2014, it failed to adequately supervise former Approved Persons BY and SW to ensure that accurate Know-Your-Client information was recorded for clients, and the trades recommended by BY and SW which concentrated the clients' investments in precious metals sector funds were suitable for clients, contrary to MFDA Rules 2.2.1, 2.5.1 and 2.1.1., and MFDA Policy No. 2;

b) between November 7, 2010 and May 20, 2014, it created and arranged for Approved Persons BY and SW to have clients sign an Acknowledgement and Release which, among other things, released the Respondent from any claims or losses arising from an investment strategy recommended by BY and SW which concentrated the clients' investment holdings in precious metals sector, contrary to MFDA Rules 2.2.1, 2.I.2 and 2.1.1; and

c) between February 27, 2007 and April 30, 2013, it failed to adequately supervise former Approved Person RL to ensure that accurate Know-Your-Client information was recorded for each client, and the trades recommended by RL which concentrated the clients' investments in precious metals sector funds were suitable for clients, contrary to MFDA Rules 2.2.1, 2.5.1 and 2.1.1, and MFDA Policy No. 2.

Agreed penalty

3. The Respondent agrees to pay a fine in the amount of $130,000 and costs in the amount of $20,000.

Considerations

4. The Hearing Panel determined that it had to be satisfied regarding three considerations before it could accept the Settlement Agreement. First, the agreed penalty had to be within an acceptable range taking into account similar cases. Secondly, the agreed penalty had to be fair and reasonable (i.e. proportional to the seriousness of the contravention and taking into consideration other relevant circumstances) and should appear to be so to members of the public and industry. Thirdly, the agreed penalty should serve as a deterrent to the Respondent and to industry. To be satisfied on these three considerations required an understanding of the particular facts of the case, the circumstances of the Respondent, and the impact on it of the agreed penalty.

Seriousness of the contraventions

5. Where a Member fails to ensure that Approved Persons are collecting accurate Know Your Client ("KYC") information, in order to permit suitability assessments to be properly undertaken, that Member runs afoul of their supervisory obligations. In the absence of supervisory intervention by a Member who is alert to possible KYC uniformity, or inaccurate KYC information being collected, clients run the risk of being exposed to unsuitable investments because a proper assessment cannot be conducted.

6. The obligation to exercise due diligence to ensure that investment orders that are accepted, recommendations that are made, and investments that are held in client accounts of a Member are suitable for the clients, is a core responsibility of any advisor or Member that services client accounts in the securities industry.

7. A Member cannot contract out of its regulatory obligations by having clients sign a document that purports to release the Member and its Approved Persons from liability for contraventions of their suitability obligations. It is incompatible with the standard of conduct and contrary to the public interest to contract out of regulatory obligations. Members and Approved Persons have a duty to ensure the suitability of the investments that their clients hold and cannot simply agree to disregard this fundamental obligation.

Considerations in determining acceptability of agreed penalty

8. The Respondent's conduct occurred over a lengthy period of time, between November 5, 2004 and May 20, 2014.

9. The Respondent's conduct involved a large number of clients. BY serviced approximately 680 clients and SW serviced approximately 264 clients. The Respondent's misconduct consequently extended to no fewer than 944 clients of the Member.

10. The above factors require the present misconduct to be deemed serious, and require a significant penalty to deter future non-compliance and thereby provide better investor protection.

11. The Respondent has been a Member of the MFDA since February 8, 2002. The Respondent was subject to a previous disciplinary proceeding that resulted in a settlement agreement with staff that was accepted by a hearing panel in November 2015, concerning certain compliance deficiencies, including the failure of the Member to establish and maintain a system of controls and supervision that was adequate to ensure that certain clients were qualified to purchase investment funds offered pursuant to prospectus exemptions. The misconduct addressed in the previous disciplinary proceeding is unrelated to the contraventions admitted to in this case.

Mitigating factors

12. There is no evidence of any investor harm suffered by clients of the Respondent as a result of the present misconduct, other than one client who has been made whole by the Respondent. No client complaints were received before or after clients were informed that the Respondent would not rely on the signed acknowledgement and release forms.

13. There is no evidence that financial benefits, above and beyond what would accrue to the Respondent in the ordinary course of business, were received by the Respondent in relation to the present misconduct.

14. The Respondent has undertaken the following actions to address the potential for any similar future misconduct:

a) developed robust plans for addressing the concentration issues in the accounts of the impacted clients;
b) revised and enhanced its concentration policy at a broader level;
c) improved training of advisors; and
d) improved branch manager training.

15. Based on answers to our questions at the hearing about new ownership of the Respondent and other changes at the Respondent, including those referenced above, we accepted staff's submission that the Respondent does not pose a risk to investors or other market participants through its continued operation in the market. Accordingly, we concluded that a suspension of the registration of the Respondent was not necessary or appropriate as a penalty in the circumstances.

16. By entering into the settlement agreement, the Respondent has accepted responsibility for its misconduct and avoided the necessity of the MFDA incurring the additional time and expense of a full contested hearing. The Respondent has also cooperated with staff's investigation of this matter.

Conclusion

17. We considered the precedent cases submitted by counsel. The agreed penalty is within the reasonable range of appropriateness reflected in the cases. We concluded that the agreed penalty would serve as a specific and general deterrent, and was fair and reasonable. We considered the costs award to be reasonable in the circumstances. We concluded, therefore, that the Settlement Agreement was in the public interest and, consequently, we accepted it.

DATED this 27th day of March, 2017.

"Paul M. Moore"

Paul M. Moore, Q.C.
Chair

"Guenther W.K. Kleberg"

Guenther W.K. Kleberg
Industry Representative

"Kenneth P. Mann"

Kenneth P. Mann
Industry Representative

DM 529890 v1

Schedule "1"

Settlement Agreement

File No. 2016116

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

IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA

Re: HollisWealth Advisory Services Inc.

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the "MFDA") will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Central Regional Council (the "Hearing Panel") of the MFDA should accept the settlement agreement (the "Settlement Agreement") entered into between Staff of the MFDA ("Staff") and the Respondent, HollisWealth Advisory Services Inc. which was formerly Dundee Private Investors Inc. (the "Respondent").

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent's activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No. 1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule "A".

4. Staff and the Respondent agree that the terms of this Settlement Agreement, including the attached Schedule "A", will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

III. ACKNOWLEDGEMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part XI) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is approved by the MFDA.

IV. AGREED FACTS

Registration History

6. The Respondent is registered in all provinces as a mutual fund dealer and has been a Member of the MFDA since February 8, 2002.

7. The Respondent's head office is located in Toronto, Ontario.

Contravention #1: Failure to Adequately Supervise BY and SW

i) Background

8. From December 18, 2001 to May 20, 2014, Approved Person BY was registered in Ontario, Saskatchewan, Alberta and British Columbia as a mutual fund salesperson (now known as a mutual fund dealing representative) with the Respondent. During this period, BY also acted as a Branch Manager and was responsible for supervising Approved Person SW.

9. From June 30, 2004 to May 27, 2014, Approved Person SW was registered in Saskatchewan, Alberta and British Columbia as a mutual fund salesperson with the Respondent.

10. Neither BY nor SW is currently registered in the securities industry in any capacity.

11. At all material times, BY and SW conducted business from a branch office located in North Battleford, Saskatchewan (the "North Battleford Branch").

ii) The Gold Strategy

12. Between November 5, 2004 and at least January 31, 2013, BY and SW recommended an investment strategy to the clients serviced by each of them whereby the clients would purchase precious metals (predominantly, gold) sector mutual funds (the "Gold Strategy").

13. In the course of recommending the Gold Strategy to clients, BY and SW represented that the price of gold and other precious metals was poised to increase dramatically as a result of government monetary and debt policies in Canada and the United States.

14. BY and SW also represented, in the course of recommending the Gold Strategy, that investing in gold and precious metals was a low investment risk strategy. The Respondent was not aware that BY and SW represented to clients that the Gold Strategy was low risk.

15. The Gold Strategy resulted in the clients holding investments which were highly concentrated in precious metals sector funds. BY serviced the accounts of approximately 680 clients and SW serviced the accounts of approximately 264 clients. As of December 31, 2013:

a) 57% of BY's clients and 14% of SW's clients held 50% to 100% of their accounts in precious metals sector funds;
b) 28% of BY's clients and 35% of SW's clients held 20% to 50% of their accounts in precious metals sector funds; and
c) 15% of BY's clients and 51% of SW's clients held less than 20% of their accounts in precious metals sector funds.

16. In order to implement the Gold Strategy, BY and SW engaged in a practice of recording uniform Know-Your-Client ("KYC") information for each client. Nearly all of the clients serviced by BY and SW had the following KYC information recorded with the Member:

a) a risk tolerance of 100% "high risk";
b) an investment objective of 100% "aggressive growth"; and
c) investment knowledge of "good".

iii) Supervision of BY and SW

17. Prior to 2007, the Respondent failed to identify that a large proportion of the clients serviced by BY and SW held investments which were concentrated in precious metals sector funds, and had identical KYC information recorded on NCAFs and KYC update forms.

18. By late 2007 or early 2008, compliance officers at the Respondent were aware of suitability concerns with respect to Gold Strategy recommended by BY, including concerns with respect to concentration in precious metals sector funds and the collection of uniform KYC information.

19. As BY was a Branch Manager, his trading was supervised by compliance officers in the Respondent's head office. During this time, the Respondent's compliance officers queried the suitability of the investment recommendations made by BY to certain elderly clients who implemented the Gold Strategy, but accepted the explanations provided by BY that the Gold Strategy was appropriate for these clients. The Respondent failed to conduct further inquiries in response to the information supplied by BY and failed to query whether the KYC information collected by BY was accurate.

20. The Respondent did not query trades processed by SW, despite the fact that she was also recommending the Gold Strategy to clients, recording uniform KYC information for clients, and was supervised by BY. SW's trading would only have been reviewed by the Respondent on a Tier 2 basis depending upon the size of the trade.

21. By no later than early 2008, the Respondent identified concerns with respect to the suitability of BY's investment recommendations, but did not conduct an audit of BY's client files until April 2010. During this audit, the Respondent examined 227 client accounts serviced by BY, which represented 25% of BY's book of business. The Respondent identified a pattern of KYC uniformity as only 4 of the 227 client accounts it examined had a risk tolerance of less than 50% "high risk" recorded on account forms. The Respondent failed to examine client files maintained by SW to determine whether she was similarly recording uniform KYC information for clients.

22. Commencing in June 2010, the Respondent refused, based upon its findings during the audit of BY's book of business, to accept and process NCAFs and KYC updates from BY where the client's growth objective was recorded as 100% aggressive growth and the client's risk tolerance was recorded as 100% high risk. The Respondent did not take similar steps with respect to the NCAFs and KYC updates submitted by SW which were approved by BY as Branch Manager.

23. As a result of its findings during the audit of BY's book of business, the Respondent advised BY that he should leave the Member. BY advised the Respondent that he would need until September 2010 to make that transition.

24. In August 2010, the Respondent requested that BY provide it with a sample of his typical portfolio recommendation to clients. The Respondent reviewed the sample portfolio recommendation and advised BY that an overall risk profile for a client of up to 30% high risk would be acceptable provided that BY could demonstrate that the client could tolerate that level of risk. BY advised the Respondent that this was not acceptable to him.

25. On or about September 1, 2010, the Respondent completed a routine branch review of the North Battleford Branch. The branch review consisted of a review of a sample of 6 NCAFs and 10 client portfolios. The sole deficiency found by the Respondent with respect to NCAF and KYC updates was that four client files had KYC information that was greater than two years old. The branch review failed to identify any concerns with respect to suitability of investment recommendations made by BY and SW, or their KYC information collection practices.

26. In late September 2010, BY requested a meeting with members of the Respondent's management team. BY explained his use of the Gold Strategy and the necessity of the recording of uniform KYC information for his clients if the Gold Strategy were to succeed. BY also made clear that if the Respondent was unwilling to allow him to present the Gold Strategy to clients, he and SW would move to another mutual fund dealer.

27. At all material times, the Respondent knew or ought to have known that:

a) clients serviced by BY and SW were highly concentrated in precious metals sector funds;
b) clients serviced by BY and SW may have been invested in unsuitable investments;
c) BY and SW were recording uniform KYC information on account forms which may not be accurate.

28. The Respondent did not contact any clients to determine their actual risk tolerances outside of the information submitted to the Respondent by BY and SW. The Respondent also did not require any rebalancing of client portfolios to be completed.

29. The Respondent failed to take adequate steps to resolve cases where it identified concentration issues in client accounts. It also failed to identify and investigate the fact that a large proportion of the clients served by BY and SW had identical KYC information.

30. Rather than requiring BY and SW to cease recommending the Gold Strategy and collecting uniform KYC information, the Respondent created an Acknowledgement and Release to be signed by clients serviced by BY and SW who had implemented the Gold Strategy, which would allow existing clients to remain invested in the Gold Strategy and allow BY and SW to continue recommending the Gold Strategy. The Respondent's use of the Acknowledgement and Release is described in greater detail below.

Contravention #2: Acknowledgement and Release

31. By no later than November 7, 2010, the Respondent instructed BY, who in turn instructed SW, to have all new and existing clients complete the Acknowledgement and Release and to submit it to the Respondent with all future NCAFs and account update forms. The Acknowledgement and Release stated that, among other things:

a) the client has been shown "alternative investment strategies that are more in line with traditional diversification" than the Gold Strategy;
b) the client has decided against "traditional investments in favour of the Gold Strategy";
c) the client understands that:
    i. "the price volatility and narrow concentration makes the Gold Strategy a higher risk investment" than a balanced strategy";

ii. there "may be considerable fluctuations in value and liquidity of the Gold Strategy which fluctuations would historically be less extreme" with a balanced strategy; and

iii. unlike a balanced strategy, "lack of risk diversification" in the client's account means that the value of the client's investments would be "directly dependent on the performance of gold";

d) the client understands that the "maximum gold exposure would not exceed 10%" in a balanced strategy;

e) while understanding the various investment alternatives, the client instructs the Respondent to "invest up to 100%" of the client's portfolio in the Gold Strategy;

f) the client agrees to "release and save harmless [the Respondent], its employees and representatives against all losses, claims, damages or liabilities arising directly or indirectly" out of any purchase in respect of the Gold Strategy;

g) the client is making these statements in the knowledge that the Respondent has agreed to facilitate the purchase of the Gold Strategy in consideration of and in reliance upon such statements; and

h) the client has read and understood the Waiver, and has been advised to, and was given an opportunity to obtain independent legal advice concerning its interpretation and effect.

32. After BY and SW began collecting signed Acknowledgement and Release's from clients, the Respondent permitted to BY and SW to continue collecting KYC information for clients indicating that the clients had 100% "high risk" tolerance, 100% "aggressive growth" investment objective, and investment knowledge of "good". The Respondent permitted BY and SW to engage in this practice notwithstanding that a senior compliance officer questioned, at that time, whether it was appropriate for the Member to do so.

33. Between November 7, 2010 and May 2, 2013, the Respondent made no further inquiries regarding BY and SW's continued recommendation of the Gold Strategy and the collection of uniform KYC information for clients implementing the Gold Strategy.

34. After BY and SW ceased to be registered with the Respondent, nearly all of the clients they serviced transferred their accounts to a new Member, Sterling Mutuals Inc.[1]

Contravention #3: Failure to Adequately Supervise RL

i) Background

35. From June 1, 2004 to December 12, 2014, former Approved Person RL was registered in British Columbia as a mutual fund salesperson with the Respondent. RL was not a Branch Manager and therefore his activities were supervised from a Tier 1 perspective by a Branch Manager and not by the Respondent's Head Office compliance staff.

36. RL is not currently registered in the securities industry in any capacity.

37. At all material times, RL conducted business in Vancouver, British Columbia.

38. Beginning no later than February 2007, and ending no later than June 2014, RL recommended an investment strategy to his clients, whereby the clients would invest in a single precious metals sector fund, the Dynamic Precious Metals Fund (the "DPM Fund"). The DPM Fund primarily holds shares in Canadian and international resource companies, the majority of which produce or explore for gold and other precious metals. RL viewed gold as a safe investment, and so recommended that his clients concentrate their investments in the DPM Fund.

39. In order to ensure that investments in the DPM Fund appeared to be suitable, RL engaged in a practice of recording the following uniform KYC information for each of his clients:

a) a risk tolerance of 100% "high risk"; and
b) investment knowledge of "good".

[1] The conduct of Sterling Mutuals Inc. with respect to BY and SW, and its handling of their accounts, was the subject of a Settlement Hearing in MFDA File No. 201619.

40. RL recorded the KYC information described above, regardless of whether or not his clients genuinely had a high risk tolerance and good investment knowledge. RL engaged in this practice in order to ensure that the clients' KYC information matched his investment recommendations to concentrate all, or a substantial portion, of the clients' investment holdings in precious metals sector funds, namely the DPM Fund.

41. As a result of RL's practice, all or nearly all of the clients serviced by RL were recorded on Member account forms as having 100% high risk tolerance and good investment knowledge.

42. By June 30, 2014, 95% of the clients serviced by RL were highly concentrated in the DPM Fund.

ii) Supervision of RL

43. Between February 2007 and April 2011, the Respondent made at least 45 queries in respect of trades submitted by RL where the trades were inconsistent with the client's KYC information. The Respondent queried the trades because they appeared to be unsuitable having regard to the client's risk tolerance and/or investment objectives.

44. RL engaged in a pattern of responding to the Respondent's queries by updating client KYC information to increase client risk tolerance, growth objectives and/or investment knowledge in order to make the holdings in the accounts appear to be suitable.

45. At all material times, the Respondent knew or ought to have known that:

a) clients serviced by RL were highly concentrated in the DPM Fund;
b) clients serviced by RL may have been invested in unsuitable investments;
c) RL was recording uniform KYC information on account forms which may not be accurate.

46. The Respondent continued to accept KYC updates from RL after it was aware of the conduct described in paragraph 45 above.

47. The Respondent did not contact any clients to determine their actual risk tolerances outside of the information submitted to the Respondent by RL. The Respondent also did not require any rebalancing of client portfolios to be completed.

48. The Respondent failed to take adequate steps to resolve cases where it identified concentration issues in client accounts. It also failed to identify and investigate the fact that a large proportion of the clients served by RL had identical KYC information.

49. After RL ceased to be registered with the Respondent, nearly all of the clients he serviced transferred their accounts to a new Member.

V. THE RESPONDENT'S POSITION

50. The Respondent co-operated fully with the MFDA's investigation and prior to the departure of all the affected advisors developed robust plans for addressing the concentration issues in the accounts of the impacted clients.

51. The Respondent has also improved its policies and procedure to, among other things:

a) revise and enhance its concentration policy;
b) improve training of advisors; and
c) improved branch manager training.

VI. CONTRAVENTIONS

52. The Respondent admits that:

a) between November 5, 2004 and May 20, 2014, it failed to adequately supervise former Approved Persons BY and SW to ensure that accurate Know-Your-Client information was recorded for clients, and the trades recommended by BY and SW which concentrated the clients' investments in precious metals sector funds were suitable for clients, contrary to MFDA Rules 2.2.1, 2.5.1 and 2.1.1, and MFDA Policy No. 2;

b) between November 7, 2010 and May 20, 2014, the Respondent created and arranged for Approved Persons BY and SW to have clients sign an Acknowledgement and Release which, among other things, released the Respondent from any claims or losses arising from an investment strategy recommended by BY and SW which concentrated the clients' investment holdings in precious metals sector, contrary to MFDA Rules 2.2.1, 2.1.2 and 2.1.1; and

c) between February 27, 2007 and April 30, 2013, it failed to adequately supervise former Approved Person RL to ensure that accurate Know-Your-Client information was recorded for each client, and the trades recommended by RL which concentrated the clients' investments in precious metals sector funds were suitable for clients, contrary to MFDA Rules 2.2.1, 2.5.1 and 2.1.1, and MFDA Policy No. 2.

VII. TERMS OF SETTLEMENT

53. The Respondent agrees to the following terms of settlement:

a) the Respondent shall pay a fine of $130,000 pursuant to s. 24.1.2(b) of MFDA By law No. 1;

b) the Respondent shall pay costs of $20,000 pursuant to s. 24.2 of MFDA By law No. 1;

c) the Respondent shall in the future comply with MFDA Rules 2.1.1, 2.1.2, 2.2.1, 2.5.1, and MFDA Policy No. 2; and

d) a senior officer of the Member will attend in person, on the date set for the Settlement Hearing.

VIII. STAFF COMMITMENT

54. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent or any of its officers or directors in respect of the facts set out in Part IV and the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part XI below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in Parts IV and V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and V, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

IX. PROCEDURE FOR APPROVAL OF SETTLEMENT

55. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent.

56. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the settlement hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive its rights to a full hearing, a review hearing before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction.

57. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondent shall be deemed to have been penalized by the Hearing

Panel pursuant to s. 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

58. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against it.

X. FAILURE TO HONOUR SETTLEMENT AGREEMENT

59. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the Respondent and any of its officers or directors based on, but not limited to, the facts set out in Part IV of the Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

XI. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

60. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule "A" is not made by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

61. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that it will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis

for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

XII. DISCLOSURE OF AGREEMENT

62. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law.

63. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XIII. EXECUTION OF SETTLEMENT AGREEMENT

64. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

65. A facsimile copy of any signature shall be effective as an original signature.

DATED this 20th day of January, 201.

"John Pereira"
HollisWealth Advisory Services Inc.

"LR"
Witness – Signature

LR
Witness – Print Name

"Shaun Devlin"
Shaun Devlin
Staff of the MFDA
Per: Shaun Devlin
Senior Vice-President,
Member Regulation – Enforcement

Schedule "A"

Order

File No. 2016116

IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA

Re: HollisWealth Advisory Services Inc.

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of HollisWealth Advisory Services Inc. (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that the Respondent:

a) between November 5, 2004 and May 20, 2014, failed to adequately supervise former Approved Persons BY and SW to ensure that accurate Know-Your-Client information was recorded for clients, and the trades recommended by BY and SW

which concentrated the clients' investments in precious metals sector funds were suitable for clients, contrary to MFDA Rules 2.2.1, 2.5.1 and 2.1.1, and MFDA Policy No. 2;

b) between November 7, 2010 and May 20, 2014, created and arranged for Approved Persons BY and SW to have clients sign an Acknowledgement and Release which, among other things, released the Respondent from any claims or losses arising from an investment strategy recommended by BY and SW which concentrated the clients' investment holdings in precious metals sector funds and may have been unsuitable for the clients, contrary to MFDA Rules 2.2.1, 2.1.2 and 2.1.1; and

c) between February 27, 2007 and April 30, 2013, failed to adequately supervise former Approved Person RL to ensure that accurate Know-Your-Client information was recorded for each client, and the trades recommended by RL which concentrated the clients' investments in precious metals sector funds were suitable for clients, contrary to MFDA Rules 2.2.1, 2.5.1 and 2.1.1, and MFDA Policy No. 2.

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1) The Respondent shall pay a fine of $130,000 pursuant to s. 24.1.2(b) of MFDA By law No. 1;

2) The Respondent shall pay costs of $20,000 pursuant to s. 24.2 of MFDA By law No. 1;

3) The Respondent shall in the future comply with MFDA Rules 2.1.1, 2.1.2, 2.2.1, 2.5.1, and MFDA Policy No. 2; and

4) If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*.

DATED this [day] day of [month], 20[ ].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]