

INDEPENDENT FINANCIAL BROKERS OF CANADA

MINUTES OF THE ANNUAL GENERAL MEETING

August 5, 2009

The Annual General Meeting of the Independent Financial Brokers of Canada was held on August 5, 2009 at the Holiday Inn Toronto Airport East, 600 Dixon Road, Toronto, Ontario.

Representing the Executive Committee:

David Barber – Vice-President, Insurance
Wayne Harbin – Vice-President, Member Relations
Carol-lee Whipple - Treasurer
Richard Mototsune
Doug Vanderburgh

Also in attendance:

Stanley Thomson	Joseph Navera	Arnold McCurdy
Johanne Ouellette	Marie Richardson	Norman Hounsell
Luene LaFontaine	John Dargie	Brian Patterson
Sharon Piper	H. Michael Wise	Martyn Rice
Vincent Primucci	Philip Shediak	Scott Findlay
P-Y Migneron	Gerald Sieg	Rogelio Gudino

And by invitation:

John Whaley, Executive Director
Nancy Allan, Member Communications
Susan Allemang, Regulatory Affairs

1.0 CALL TO ORDER AND WELCOME OF MEMBERS

The Vice-President Insurance, David Barber presided as chair. He said that a quorum was in attendance, and called the meeting to order at 11:00 a.m. He welcomed the Members to the Annual General Meeting and conveyed the regrets of President Merlin Chouinard, who was unable to attend the meeting due to pressing personal business.

2.0 APPROVAL OF RULES FOR THE MEETING

Mr. Barber reviewed the Meeting Rules, which had been distributed. He asked everyone to limit their comments and questions during discussion to three minutes. He stated that it is imperative that members speak through the Chair and state their

name clearly. The Chair will call any personal attacks on members out of order and, in the event of continuous attacks, the member will be removed from the meeting.

The Chairman called for a motion to approve the Rules.

On a motion by John Dargie, **seconded** by Arnold McCurdy, **it was resolved** to approve the rules of the meeting.

The motion was carried.

3.0 APPROVAL OF THE AGENDA

The Chairman called for a motion to approve the Agenda.

On a motion by Sharon Piper, **seconded** by Johanne Ouellette **it was resolved** to approve the Agenda.

The motion was carried.

4.0 APPROVAL OF MINUTES – July 29, 2008

The Chairman called for a motion to approve the Minutes of the July 29, 2008 Annual General Meeting of Members.

On a motion by Wayne Harbin, **seconded** by Pierre Yves Migneron, **it was resolved** to approve the Minutes of the July 29, 2009 Annual General Meeting of members.

The motion was carried.

The Chairman asked if there were any additions, omissions or corrections noted. There were none.

5.0 Executive Director's Report – John Whaley

Mr. Barber introduced Executive Director John Whaley and stated that, in the absence of Mr. Chouinard, Mr. Whaley would be delivering the 'State of the Union' address at this year's meeting.

See Appendix 1 for Mr. Whaley's address to the 2009 Annual General Meeting of Members.

On a motion by Doug Vanderburgh, **seconded** by Arnold McCurdy, **it was resolved** to accept the Executive Director's Report as presented.

The motion was carried.

6.0 Financial Report – John Whaley

6.1 Presentation and Approval of the 2008 Financial Statements by BDO Dunwoody

Mr. Whaley noted that the Financial Statement was as of Dec. 31, 2008, and drew attention to the standard Auditor's Report on page 2 which he described as a 'clean letter'. He said that the figure shown on page 3 of the report reflected the association's financial position as at year end, 2008.

Mr. Whaley noted that the Statement of Financial Position showed a healthy picture and that the Association has net assets of \$635,000 which includes the monies held in an internally restricted E&O fund. Mr. Whaley said that this fund was created a couple of years ago and is intended to be seed money for a possible future structured deductible plan.

Wayne Harbin asked how the Association's financial position could be described in layman's terms, and Mr. Whaley responded that the Association is in good financial shape. He noted that IFB had started to feel the effects of the economic downturn in late 2008, and that this had intensified in the early part of 2009. As a result, he noted, staff had worked to reduce expenses in response to a fairly substantial loss of funding from companies participating at Summits. Similarly, Mr. Whaley noted that attendance numbers at all three Spring Summits were down. He commented that there as we head into the Fall Summit season there are signs that the companies are coming back and are more willing to spend money.

Marie Richardson noted that there was a cost of moving expenses in the financial statement, and asked if this was a one-time cost. Mr. Whaley responded that it was; he explained that the Association had moved offices in 2008 and the cost for this move had totaled approximately \$10,000. He pointed out that the new premises are somewhat more expensive, and that the Association will have to generate more revenue in order to offset this.

Mike Wise asked if the Association set aside a 10% contingency when doing its budgeting. Mr. Whaley responded that the Association did not budget in that way as such, although the net result was effectively the same. He noted that the Summits are an important source of revenue for the Association, so the budget for the coming year is not set until after the Fall Summits are complete as it is not possible to develop a complete financial picture until after the results of these are known.

On a motion by Scott Findlay, **seconded** by Carol-lee Whipple, **it was resolved** to accept the audited Financial Statement as presented.

The motion was carried.

6.2 Appointment of Auditors

Mr. Whaley noted that the Association has been interviewing various other audit firms but that it is satisfied with the service it is receiving from BDO Dunwoody. He noted that it is his recommendation that BDO be reappointed for the 2009 audit.

On a motion by Doug Vanderburgh, **seconded** by Johanne Ouellette, **it was resolved** to appoint the firm of BDO Dunwoody as auditors for the fiscal year 2009.

The motion was carried.

7.0 BY-LAW AMENDMENT AND SPECIAL RESOLUTION – Wayne Harbin

Mr. Barber invited Wayne Harbin, the Chairman of the Nominating Committee to present the By-Law Amendment and Special Resolution to be voted on at the meeting. Mr. Harbin began by saying that, in addition to the regular business of the Annual Meeting, this year the membership is considering two additional pieces of business.

The first is an amendment to the Association's By-Laws as it pertains to the regional distribution of Directors. When IFB was founded nearly 25 years ago, it had a handful of members who were primarily concentrated in Ontario. At that time, it was a priority to expand IFB's reach nationally and so it was written right into the By-laws that there should be a Director resident in each province of Canada.

Mr. Harbin went on to say that over the years, as the Association has grown in stature and size, this requirement has become less and less relevant, and in 2005 it was amended somewhat so that some provinces where population density is lower – such as Saskatchewan and Manitoba, for example – were combined into one region.

This year, Mr. Harbin noted, the Association is seeking to remove this from the By-laws as a requirement and to make it instead a guideline for this and future years. He described this as a natural progression for an association that has grown and matured and also an acknowledgement that IFB not only needs Directors who are spread across the country, but more importantly, it needs a strong and competent Board.

Mr. Harbin said that by removing the mandated requirement for regional Directors, the Association is freeing itself to say 'not this year' when a high-quality candidate can't be found in a particular region. He pointed out that this doesn't mean that the Nominating Committee won't continue to seek that candidate – but that it means the Committee won't be forced to put someone into a Board position simply to meet the By-law requirement.

On a motion by Wayne Harbin, **seconded** by John Dargie, **it was resolved** that section 4.03 of the IFB By-laws be amended to delete the following:

“In addition to the above noted qualifications, at least one Director shall be elected from each of the following geographical areas:

- i) *British Columbia*
- ii) *Alberta*
- iii) *Manitoba and Saskatchewan;*
- iv) *Ontario; and*
- v) *Quebec*

In addition to the above, two (2) directors shall be elected from the Atlantic provinces.”

And that thereafter these requirements be considered as guidelines for the Board and its Committees.

The motion was carried unanimously.

Mr. Harbin introduced the special resolution to set the overall size of the Board of Directors at 17. He noted that IFB By-laws allow for a Board of not less than 15 and not more than 24, and from time to time the number of sitting Directors is set by the members at this meeting.

By way of background, Mr. Harbin said that a couple of years ago, the Board met following an AGM and discussed the Strategic Plan for the Association. One of the areas identified by the Board for future action was to begin to gradually reduce the overall size of the Board, primarily through attrition, over the next few years.

It was felt that a smaller Board would be more efficient, as well as more cost-effective. Mr. Harbin characterized this special resolution is the most recent step toward achieving this objective.

On a motion by Wayne Harbin, **seconded** by Scott Findlay, **it was resolved** that the number of Directors to be elected to the IFB Board of Directors be set at 17, effective immediately.

The motion was carried unanimously.

8.0 NOMINATING COMMITTEE REPORT AND DIRECTOR ELECTIONS – Wayne Harbin

Mr. Harbin began by acknowledging three long-serving Board members who were stepping down as of the 2009 AGM.

Sharon Piper has served on the IFB Board since 1995, and over the course of those years she has devoted countless hours to this association. In the past, she has served on ‘The Bulletin’ Committee, which was the previous incarnation of our publication, *The Independent*, and more recently she has served on the Nominating Committee both as past-Chair as well as Committee member.

Al Donald, of Winnipeg, Manitoba, joined the IFB Board in 1999, and over the years has been involved in the By-law Committee as well as on the Executive Committee. Johanne

Ouellette was elected to the IFB Board in 2000, and has served on the Executive Committee, as well as on the Nominating Committee.

On behalf of the Board and staff, Mr. Harbin thanked these three members for their dedicated service.

Mr. Harbin reported that there are five vacancies on the Board, including two Regional Director positions for Saskatchewan and Manitoba, and for British Columbia.

On a motion by Wayne Harbin, **seconded** by Luene LaFontaine, **it was resolved** to appoint Merlin Chouinard to a three year term as Regional Director for Manitoba and Saskatchewan, and to appoint Scott Findlay to a three year term as Regional Director for British Columbia.

The motion was carried.

Mr. Harbin went on to say that the following candidates, all of who have expressed an interest in running and have been vetted by the Nominating Committee and deemed to be suitable candidates, will stand for election by secret ballot: John Dargie, Mario Ervalho, Joseph Navera, Brian Patterson, Cheryl Plumb, Marie Richardson, Don Van Wyngaarden, and Mike Wise.

Following a brief break during with the ballots were counted, Mr. Harbin announced that the following candidates had been elected to three year terms of office:

John Dargie
Marie Richardson
Mike Wise

Mr. Harbin congratulated the successful candidates, and thanked all candidates for putting their names forward for election. He also thanked all the members of the Nominating Committee for their hard work in 2008-2009.

On a motion by Wayne Harbin, **seconded** by Sharon Piper, **it was resolved** that all ballots be destroyed.

The motion was carried.

9.0 **TERMINATION OF MEETING**

There being no further business, the Chair adjourned the 2008 Annual Meeting of Members at 12:15 p.m.

INDEPENDENT FINANCIAL BROKERS OF CANADA
ANNUAL GENERAL MEETING
August 5, 2009
List of Motions

1. **On a motion** by John Dargie, **seconded** by Arnold McCurdy, **it was resolved** to approve the rules of the meeting.

The motion was carried.

2. **On a motion** by Wayne Harbin, **seconded** by Pierre Yves Migneron, **it was resolved** to approve the Minutes of the July 29, 2009 Annual General Meeting of members.

The motion was carried.

3. **On a motion** by Doug Vanderburgh, **seconded** by Arnold McCurdy, **it was resolved** to accept the Executive Director's Report as presented.

The motion was carried.

4. **On a motion** by Scott Findlay, **seconded** by Carol-lee Whipple, **it was resolved** to accept the audited Financial Statement as presented.

The motion was carried.

5. **On a motion** by Doug Vanderburgh, **seconded** by Johanne Ouellette, **it was resolved** to appoint the firm of BDO Dunwoody as auditors for the fiscal year 2009.

The motion was carried.

6. **On a motion** by Wayne Harbin, **seconded** by John Dargie, **it was resolved** that section 4.03 of the IFB By-laws be amended to delete the following:

“In addition to the above noted qualifications, at least one Director shall be elected from each of the following geographical areas:

- i) British Columbia*
- ii) Alberta*
- iii) Manitoba and Saskatchewan;*
- iv) Ontario; and*
- v) Quebec*

In addition to the above, two (2) directors shall be elected from the Atlantic provinces.”

And that thereafter these requirements be considered as guidelines for the Board and its Committees.

The motion was carried unanimously.

7. **On a motion** by Wayne Harbin, **seconded** by Scott Findlay, **it was resolved** that the number of Directors to be elected to the IFB Board of Directors be set at 17, effective immediately.

The motion was carried unanimously.

8. **On a motion** by Wayne Harbin, **seconded** by Luene LaFontaine, **it was resolved** to appoint Merlin Chouinard to a three year term as Regional Director for Manitoba and Saskatchewan, and to appoint Scott Findlay to a three year term as Regional Director for British Columbia.

The motion was carried.

9. **On a motion** by Wayne Harbin, **seconded** by Sharon Piper, **it was resolved** that all ballots be destroyed.

The motion was carried.

Appendix One
Address given by Executive Director John Whaley
August 5, 2009

Good morning,

On behalf of Independent Financial Brokers, I'd like to welcome you to this year's Annual and Special Meeting of Members. Your President, Merlin Chouinard, has asked me to send his sincere regrets; unfortunately, some pressing personal business has prevented Merlin from attending today's meeting.

In his absence, he has asked me to bring the membership up-to-date on the activities of the Association over the past year. In doing so, I'd like to focus on two initiatives that are currently underway and that I think illustrate the important work that IFB does on behalf of its members and the industry as a whole.

This first is a challenge that IFB launched in early November 2008 to changes made to MFDA By-Law 1, Section 24.3, *Suspensions in Certain Circumstances*. These changes were first proposed by the MFDA in the Fall of 2006 when it put them out for public consultation. While we found them to be intrusive and a violation of procedural fairness for Approved Persons, we were surprised at the time to find that the MFDA received only two other responses to consider. Nothing further was published on this matter until August 1, 2008 when the MFDA issued a Bulletin announcing the amendments had been approved by various securities commissions and were now in force!

Further investigation revealed that the MFDA Board of Directors had pre-approved the proposals in November 2006 and they were brought before and approved at the MFDA Annual Meeting in December 2006 only 4 days after the close of the consultation period. This indicates to us that the MFDA paid scant attention to the comments it solicited from the public and identifies a serious weakness in how the MFDA communicates with the industry and its stakeholders.

The basis of our challenge is two-fold: the first relates to the actual wording of the amendment, and the second relates to the process for soliciting and considering public comments. At stake is your right to procedural fairness and an obligation on the part of regulators to prove their case has merit. We believe the MFDA has overstepped its bounds. Our lawyers, on behalf of IFB, filed an Application with the Ontario Securities Commission for a review of the legality and appropriateness of these amendments.

Under the approved amendment, the grounds for which an Approved Person can have a mutual fund license suspended, terminated or have conditions placed on it have been expanded to include a number of very general categories that can be subject to broad interpretation.

For example, the expanded grounds include:

- a person failing to cooperate with an examination or investigation
- a person failing to comply with the provisions of any By-Law, Rule or Policy of the MFDA
- the MFDA receives information pertaining to the incapacity of a person due to a mental or physical illness, other infirmity or addiction to or excessive use of alcohol or drugs

In our original response to these proposals in 2006, we questioned why the MFDA needed such changes. Clearly, if an advisor breaches his/her fiduciary duty to such an extent that the public is in imminent harm, the MFDA already had recourse to take action.

Furthermore, without clear definitions, who will adjudicate what constitutes 'excessive', for example? We believe that such open-ended powers have the potential to be harmful and prejudicial to our members, and other advisors.

While the grounds for which an advisor's mutual fund registration can be suspended or terminated have been expanded, so to has the regulator's ability to do this *ex parte*, or without notice to the person affected. This is an extremely powerful ability that goes to a fundamental premise of our judicial system – the right to a fair hearing.

A Hearing Panel can now exercise a full range of penalties and sanctions without notice to the advisor, or providing for their right to be heard at a disciplinary hearing. In essence, the first time an advisor would be aware of their situation would be *after* a Hearing Panel has made the decision to suspend or terminate their mutual fund license. Furthermore, once the advisor receives the notice of this decision, the only recourse s/he has is to request a review by another Hearing Panel, within 21 days.

What this means is that the Approved Person is placed in a situation where he or she has to overturn a decision made by a previous Hearing Panel. In sharp contrast to the previous MFDA system (and, indeed, all other systems of justice operating within Canada), the advisor must now *disprove* his or her guilt, as opposed to the MFDA enforcement counsel proving misconduct.

While the Ontario *Securities Act* also provides for the issuance of a temporary order without notice in circumstances where the length of time required to conduct a hearing would be prejudicial to the public (in cases of serious misconduct such as fraud, for example), it also provides a fairer and more balanced approach. The burden is on the staff of the Ontario Securities Commission to seek the extension of the order. At the hearing to extend the temporary order, the Commission must be satisfied that there is sufficient evidence of conduct which may be harmful to the public interest. The Commission is also required to consider any explanations or evidence that may contradict this evidence in order to allow it to weigh the threat to the public interest against the potential consequences of the temporary order on the party involved.

Under the amended MFDA By-law, an Approved Person has the right to request a review of the decision by another Hearing Panel within 21 days. Given that the onus is on the advisor to now disprove the decision, 21 days may well not be realistic to prepare for the hearing by retaining legal counsel (should they choose to do so), and obtaining and reviewing all the evidence including any details of the investigation conducted by MFDA staff.

Earlier this year, the OSC set a hearing date of June 5, 2009 and at the hearing both the MFDA and OSC staff argued that IFB did not have standing to bring forward this action because it is not 'directly affected' by the amendment. We believe – and our lawyer argued – that there are wider public policy issues at stake that must be considered.

By moving to block the IFB hearing on jurisdictional grounds, the MFDA is suggesting that it be left up to an individual advisor charged under this amendment in the future to undertake a costly and time-consuming legal challenge at a time when his or her license is at stake. We believe this is just plain wrong.

We have cause for cautious optimism, though; at the conclusion of the June 5 hearing, the Commissioners announced their intent to reserve judgment and have said they will issue a written response in due course. We are hopeful that the decision – which we are still awaiting – will be favourable and we will get YOUR day in court in order to have this case heard based on its merits.

Another issue that has been a major focus for IFB over this past year is what I'll call 'The Independence Project'. This came about when Dundee Insurance Agency announced a new requirement that its brokers place all new life insurance business through it, effective the first of this year. Their stated view was that this will strengthen their ability to regulate the outside business activities of their advisors who also place business through their affiliated mutual fund dealership. We saw it as a contravention of the ability of a dual-licensed advisor to conduct business independently.

Indeed, we see this as an issue that speaks to the future of the independent distribution channel itself, and to the very genesis of this association as the representative body for independent financial brokers. IFB (then known as LIABA and later as ILIBC) was founded in 1985 when the life insurance industry was undergoing a fundamental change. Our founding members were among the first to leave the 'captive' agency system and take the path of independent brokerage. They felt that they needed a united front in order to stand together in the face of an industry that saw their way of doing business as revolutionary.

Over the years the face of our membership has changed to include a broader range of financial advisors, and the association has grown and matured, but we have remained true to the original vision of those founding members: that an independent broker, one who is unfettered by restrictions on what products he or she might sell, is the best choice for the consumer. For nearly 25 years IFB has supported independent brokers, and we've been a vital part of the growth of the independent brokerage channel that is today the cornerstone of the life insurance industry.

We worry that these types of actions by MGAs will lead to an MFDA style of governance being imposed on the insurance industry, and judging by the number of calls and emails we've received on the issue, our members agree. Since this was first brought to our attention, we've taken measured steps: first, we wrote to Dundee Insurance Agency and invited it to reconsider its position. We reminded Dundee that, to paraphrase a famous saying, those that forget their history are doomed to repeat it, and that the current system we now enjoy was a hard-fought victory for forward-thinking advisors who saw independent brokerage as the way of the future.

Next, we conducted a survey of our members in order to find out how pervasive this move to 'captive' MGAs is, and how our members feel about it. Your responses – and there were over 500 of them in the first couple of days alone – told us very clearly that this is an issue that you are concerned about, and that you were looking to your Association for leadership and guidance. Indeed, this survey was so popular that we were asked to provide a version for non-members to complete – which we were happy to do.

In the course of reviewing the survey responses it became quickly apparent that our members needed a place to turn if they were faced with the kind of ‘all or nothing’ proposition like the one that Dundee has put forward. Indeed, IFB members overwhelming indicated that they would move their business before they’d accept such restrictions – and some even said that they’d leave the business completely before they’d return to ‘captivity’. We want to help those members, so we’ve developed a national registry of ‘independence friendly’ MGAs and AGAs. These are MGAs and AGAs who are willing to make a commitment to broker independence by saying publicly that they will not place restrictions on where brokers can place business.

“Independence Friendly” MGAs and AGAs have been invited to sign the IFB ‘Declaration of Independence’, which begins with the statements:

We are an MGA/AGA that is proud to publicly declare itself ‘Independence Friendly’.

In signing the Declaration, MGAs undertake a broker’s right to hold contracts with other agencies and to place business where he or she deems appropriate. Further, ‘Independence Friendly’ agencies undertake to allow brokers to take E&O coverage through the provider of his or her choosing, and certify that they do not now, nor do they contemplate in future, a policy which would impede the freedom of brokers.

IFB believes that MGAs should be free to pursue the business model that best meets their needs, but we also believe very strongly that brokers, too, should be free to find an MGA that is the best ‘fit’ for your business style. Since it was launched, the registry has grown up leaps and bounds, and at last count included over 60 MGAs and AGAs right across Canada. We’ve already had a few calls from members who are looking for a new MGA, and who have taken comfort in the fact that those on the IFB registry support their way of doing business.

There are lots of other things that IFB does as a service organization, including our education Summit program and our E&O insurance plans for both individuals and corporate entities. But I think that these two issues that we’ve been working on for most of the past year go to the heart of who we are and what we do on behalf of IFB members. We sometimes say that our role is to act as the ‘eyes and ears’ of our members, and particularly in the case of the changes to the MFDA By-laws, this could not be more true. Were it not for our vigilance, these changes might have slipped by unnoticed – at least until some poor soul found his or herself caught up in them and, as a result, unable to continue doing business. We believe that it’s our role to hold the regulators accountable for their actions, and to challenge them vigorously when their actions impede your ability to serve your clients.

I’d be pleased to discuss these, or any other, initiatives with you and will be available to chat after the meeting. If there are any questions or comments at this time, I’d be happy to entertain them now.