



**For Immediate Release**

**NORTHERN FINANCIAL CORPORATION**

**(TSX: NFC)**

**NORTHERN RESPONDS TO IIROC NOTICE OF HEARING**

TORONTO, ONTARIO, July 29, 2011 – Northern Financial Corporation (TSX: NFC) (“Northern” or the “Company”) announced that the Investment Industry Regulatory Organization of Canada (“IIROC”) today issued a notice of hearing (the “Notice”) alleging various breaches of IIROC rules and Universal Market Integrity Rules and Policies (“UMIR”) by Northern Securities Inc. (“NSI”), the Company’s wholly-owned subsidiary, Vic Alboini, Chairman and Chief Executive Officer of NSI, Doug Chornoboy, Senior Vice President and Chief Financial Officer of NSI, and Fred Vance, Vice President and Chief Compliance Officer of NSI.

**Alleged Deficiencies**

The Notice sets out six matters alleging failures to comply with the provision of margin in NSI’s client accumulation account; supervision of trading activities; findings from earlier business conduct compliance and trade conduct reviews; best price obligation; and financial reporting. None of the alleged deficiencies have been proven.

**Northern Responding Memorandum Filed on SEDAR**

A fulsome memorandum responding to the Notice will be filed on SEDAR today under Northern’s SEDAR profile.

**IIROC Not Honouring Settlement**

Northern is particularly disappointed with the Notice given that Northern considers a majority of the matters as having been settled with IIROC in an earlier agreement made between Maureen Jensen, former Senior Vice President of Surveillance and Compliance at IIROC (currently Executive Director and Chief Administrative Officer of the Ontario Securities Commission) and Vic Alboini, Chairman and Chief Executive Officer. Northern considers IIROC’s failure to honour this agreement to be an act of bad faith.

**A Lack of Partnership**

IIROC’s stated objective is to work in “close and effective partnership with firms and marketplaces”. In reflecting on some of the hurdles it must get over to achieve this objective, IIROC has previously recognized a need to discourage “dogmatic”, “check the box” approaches to regulating its members and has expressed a desire to promote “independent thought, judgment and creativity” amongst its staff.

Unfortunately, Northern’s experience with IIROC has suffered a disappointing absence of the spirit of cooperation, collaboration and partnership with IIROC that Northern had hoped to foster. IIROC’s desire to partner with its member firms can only succeed if IIROC carries out its announced objective of “overhauling its compliance review programs”. Until IIROC Staff take a flexible and creative approach in assessing member firms, IIROC cannot fairly judge compliance monitoring systems at firms like Northern. Instead of trying to understand Northern’s business model and take its particular kinds of

business activities into account, IIROC Staff have taken a narrow “form over substance” approach that ignores the business realities facing smaller, dynamic firms and failed to recognize the efforts of Northern’s senior management to foster and promote a culture that emphasizes business ethics and fair play. The Notice is the inevitable result of a “one size fits all” approach to regulation that fails to differentiate between small independent firms and the large bank-owned dealers that dominate IIROC’s policy and culture.

Northern has always maintained a substantive and effective compliance program that has been unfairly judged by IIROC Staff, partly due to the serious problem IIROC has recognized with its staff turnover, which has made it very difficult to maintain consistency in compliance themes and objectives year over year. Northern adamantly denies the allegations made by IIROC Staff in the Notice and intends to publicly explain the principles of integrity and client service that guide Northern’s daily business practice, the quality of Northern’s people, and the well-intentioned efforts they have made to ensure Northern is fully compliant with all of its regulatory obligations.

### **About Northern Financial Corporation**

Northern Financial Corporation wholly owns Northern Securities Inc., a full service investment dealer that provides financial advisory services to retail and institutional clients and investment banking services to small capitalization companies.

*The Toronto Stock Exchange does not accept responsibility for the adequacy or accuracy of this news release. This press release may contain forward-looking statements with respect to the Company, its operations, strategy, financial performance and condition. These statements generally can be identified by use of forward looking words such as “may”, “will”, “expect”, “estimate”, “anticipate”, “intends”, “believe” or “continue” or the negative thereof or similar variations. The actual results and performance of the Company discussed herein could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulations and the factors described under “Risk Factors” in the Management’s Discussion and Analysis and Filing Statement of the Company which are available at [www.sedar.com](http://www.sedar.com). The cautionary statements qualify all forward-looking statements attributable to the Company and persons acting on their behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this press release and the Company has no obligation to update such statements.*

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