

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- AND -

IN THE MATTER OF DESJARDINS FINANCIAL SECURITY INVESTMENTS INC.
("RESPONDENT")

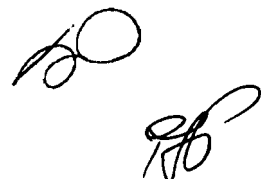
SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Parties to this Settlement Agreement ("Agreement") are the Respondent and Staff of the Nova Scotia Securities Commission ("Staff").
2. The Parties agree that the Nova Scotia Securities Commission ("Commission") has jurisdiction over this matter.
3. The Parties agree to recommend to the Commission approval of this Agreement in accordance with the terms and process set out herein.

PART II – PROCEDURE FOR APPROVAL OF THE AGREEMENT

4. Staff agrees to request that a Notice of Hearing be issued setting down a hearing ("Settlement Hearing") wherein the Commission will consider whether it is in the public interest to approve this Agreement and to issue an Order in the form attached as Schedule "A".
5. The Parties agree that the Agreement constitutes the entirety of evidence to be submitted to the Commission at the Settlement Hearing.
6. Staff agrees to recommend that the allegations acknowledged and admitted by the Respondent be resolved and disposed of in accordance with this Agreement.
7. The Parties acknowledge that this Agreement will become a public document upon its approval by the Commission at the Settlement Hearing.

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PART III – STATEMENT OF AGREED FACTS

8. Staff and the Respondent agree with the facts and conclusions set out in this Part of the Agreement.

Introduction

9. Desjardins Financial Security Investments Inc. ("DFSI") is an extra provincial corporation located in the province of Quebec and registered in Nova Scotia with the Registry of Joint Stocks. DFSI has been registered with the Commission as a mutual fund dealer since February, 1997.
10. On June 28, 2006 DFSI submitted a termination notice for Anna Marie Gant ("Gant") with an effective date of February 22, 2006. The notice was 85 business days late.
11. Daniel Lomas ("Lomas") is a resident of Halifax. Lomas has been registered with DFSI in the category of Dealing Representative since December, 1997.
12. Stephen Reid Cox ("Cox") is a resident of Halifax. Cox has been registered with DFSI in the category of Dealing Representative since December, 2002.
13. Between December 1 and December 4, 2003, Lomas and Cox became involved in selling a tax shelter product called Global Learning Systems Inc. ("Global") to clients of DFSI. Global was not a mutual fund product and therefore did not fall within the products Cox and Lomas were permitted to sell in accordance with their registration with the Commission.
14. On December 3 and 4, 2003, on the advice of Cox, seven of Cox's DFSI mutual fund clients purchased approximately \$24,000 worth of the Global product.
15. From December 1 to December 3, 2003, on the advice of Lomas, seven of Lomas' DFSI mutual fund clients purchased approximately \$32,000 worth of the Global product.
16. The DFSI Branch Manager was aware that Lomas and Cox were selling the Global product to their mutual fund clients in December 2003.
17. On November 17, 2004, the DFSI Branch Manager informed Lomas and Cox via email that they were not permitted to "...sell, promote or refer..." the Global product.
18. After November 17, 2004, Lomas referred two of DFSI's clients to Global and the clients purchased \$30,000 worth of the Global product.



Lomas International Brokerage

19. Lomas International Brokerage ("Lomas International") is a partnership registered by Lomas with the Province of Nova Scotia on September 19, 1995. Lomas International has never held registration with the Commission in any capacity.
20. In August, 2004, Lomas International entered into a referral arrangement with Integra Investment Service Limited ("Integra") of Calgary, Alberta. Integra was not a mutual fund product and therefore did not fall within the products Lomas was permitted to sell in accordance with his registration with the Commission.
21. In August, 2004, Lomas placed an advertisement in the Cape Breton Post newspaper for the sale of the Integra security which was advertised as an investment with a 12% annual guaranteed return. Integra was the subject of an interim cease trade order by the Alberta Securities Commission on February 25, 2005. The interim cease trade order was extended on March 11, 2005 and continues to be in place.
22. DFSI failed to ensure that Lomas did not engage in the sale of products that were outside his registration.

Taura Irene Publicover

23. Taura Irene Publicover ("Publicover") is a resident of Halifax. Publicover was registered with DFSI as a mutual fund salesperson from January, 2004 until February, 2007.
24. In April, 2006, ("Publicover") informed the Branch Manager of DFSI of her position as co-owner of Art Core Developments Inc ("Art Core"). DFSI failed to provide this disclosure to the Commission until December 08, 2006.

Summary

25. The termination notice of Gant was not received within 5 business days and as a result DFSI did thereby breach paragraph 39(1)(c) of the Act.
26. DFSI did not take appropriate steps to ensure that the outside business activity involving Global and engaged in by Cox and Lomas was approved by the Director of Securities and did thereby breach subsection 44(3) of the General Securities Rules.
27. DFSI did not take appropriate steps to ensure that the outside business activity involving Global and engaged in by Cox and Lomas was disclosed to the Commission within 5 business days and they did thereby breach section 4.1 of Multilateral Instrument 33-109.

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28. DFSI did not take appropriate steps to ensure that the outside business activity involving Integra and engaged in by Lomas was approved by the Director of Securities and did thereby breach subsection 44(3) of the General Securities Rules.
29. DFSI did not take appropriate steps to ensure that the outside business activity involving Integra and engaged in by Lomas was disclosed to the Commission within 5 business days and they did hereby breach section 4.1 of Multinational Instrument 33-109.
30. DFSI did not take appropriate steps to ensure that the outside business activity involving Art Core and engaged in by Publicover was approved by the Director of Securities and did thereby breach subsection 44(3) of the General Securities Rules.
31. DFSI did not take appropriate steps to ensure that the outside business activity involving Art Core and engaged in by Publicover was disclosed to the Commission within 5 business days and they did thereby breach section 4.1 of Multinational Instrument 33-109.
32. DFSI failed to take appropriate steps to supervise the activities of Lomas after November 17, 2004 to ensure he was not involved in the sale or referral of the Global product according to their internal policies and did thereby breach paragraphs 31 (1) (a) and (b) of the General Securities Rules.

PART IV – STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENTS

33. The Respondent acknowledges and admits that it violated paragraph 39(1)(c) of the Act, paragraphs 31(1)(a) and (b) and subsection 44(3) of the General Securities Rules, and section 4.1 of Multinational Instrument 33-109, as described above.
34. The Respondent acknowledges that, by violating paragraph 39(1)(c) of the Act, paragraphs 31(1)(a) and (b) and subsection 44(3) of the General Securities Rules, and section 4.1 of Multinational Instrument 33-109, as described above, its actions undermined investor confidence in the fairness and efficiency of capital markets in Nova Scotia and were contrary to the public interest.
35. The Respondent admits the facts set forth in Part III herein and acknowledges that it violated Nova Scotia securities laws.

PART V - MITIGATING FACTORS

36. The Respondent acknowledges and accepts responsibility for its conduct which is the subject matter of this Agreement.

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37. With respect to the late termination filing, the Respondent did not intentionally disregard its obligations under the Act nor did it minimize the importance of registration procedures. The late filing was the result of an administrative error and the Respondent has not filed any other late notices with the Commission since this incident in June, 2006.
38. In November, 2004, DFSI's Chief Compliance Officer (the "CCO") became aware that representatives of DFSI in Halifax were selling the Global product without the approval of the CCO. At this time, the Halifax office was informed by the CCO that representatives in Nova Scotia did not have approval to sell the Global product and were specifically informed to stop selling the Global product to DFSI's clients.
39. Lomas did not inform the Respondent that he was involved in selling the Integra security through Lomas International.
40. The Integra security was not advertised as a DFSI product and it was advertised for sale without the knowledge of DFSI. The Integra security was not a mutual fund product that could be sold by DFSI representatives. Lomas was intending to sell the security "off the books" of DFSI.
41. When the Respondent became aware that Lomas was selling the Integra security, the Respondent took internal disciplinary actions against Lomas.
42. No Nova Scotian investors purchased the Integra security through Lomas International or as a result of any advertisements placed by Lomas.
43. The Respondent recognizes the importance of compliance procedures and takes its compliance obligations seriously. The Respondent has taken steps such as updating its policies and implementing controls to ensure that all outside business activity undertaken by representatives of DFSI is approved and disclosed to the Commission within five business days.
44. The Respondent has also provided extensive training to all of its branch managers to ensure the branch managers understand the enhancements to the internal controls and policies implemented by DFSI.
45. The Respondent cooperated with Staff's investigation of this matter.

PART VI – TERMS OF SETTLEMENT

46. The terms of settlement are set forth in the order contained in Schedule "A" to this Agreement which is expressly incorporated herein.

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47. The Respondent consents to the order contained in Schedule "A".

PART VII – COMMITMENTS

48. If this Agreement is approved and the Order as set out in Schedule "A" is granted, the parties agree to waive any right to a full hearing and judicial review and appeal of this matter. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against it.
49. If this Agreement is approved by the Commission, the parties will not in any way make any statement, public or otherwise, that is inconsistent with the terms of this Agreement.
50. If this Agreement is approved by the Commission, the Respondent agrees to abide by all terms of this Agreement as set out in the Order attached as Schedule "A".
51. If, for any reason whatsoever, this Agreement is not approved, or the Order set forth in Schedule "A" is not granted by the Commission:
- a. Staff and the Respondent will be entitled to proceed to a hearing of the allegations which are the subject matter of this Agreement unaffected by the Agreement or the settlement negotiations;
 - b. The terms of the Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and the Respondent or as may otherwise be required by law; and
 - c. The Respondent agrees that it will not raise in any proceeding the Agreement or the negotiations or process of approval thereof as a basis of any attack or challenge of the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.
52. If, in the view of Staff and prior to the approval of this Agreement by the Commission, there are new facts or issues of substantial concern regarding the facts set out in Part III of this Agreement, Staff will be at liberty to withdraw from this Agreement. Notice of such intention will be provided to the Respondent in writing. In the event of such notice being given, the provisions of Paragraph 51 in this Part will apply as if this Agreement had not been approved in accordance with the procedures set out herein.

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VIII DISCLOSURE OF SETTLEMENT AGREEMENT

53. Staff or the Respondent may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to it until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

IX EXECUTION OF SETTLEMENT AGREEMENT

54. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

Dated this 26 day of November 2009.

SIGNED, SEALED AND DELIVERED

In the presence of:

David Lavoie
Witness

DESJARDINS FINANCIAL SECURITY INVESTMENTS INC.

Stephane Dulo de

Per: Stephane Dulo de
Position: Executive Vice-President

Dated this 27th day of November 2009.

SIGNED, SEALED AND DELIVERED

In the presence of:

Shirley Smith
Witness

Staff of the Nova Scotia Securities Commission

R. Scott Peacock

R. Scott Peacock
Director
Enforcement Branch
Nova Scotia Securities Commission

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SCHEDULE "A"

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- AND -

IN THE MATTER OF
DESJARDINS FINANCIAL SECURITY INVESTMENTS INC. ("Respondent")

ORDER

(Sections 135 and 135A)

WHEREAS on _____, 2009 the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 135 and 135A of the Act;

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the Commission ("Staff") whereby it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND WHEREAS Staff and the Respondent recommended approval of the settlement agreement;

AND WHEREAS the Commission is of the opinion that the Respondent has contravened the Act and it is in the public interest to make this Order;

AND UPON reviewing the settlement agreement;

AND UPON and upon hearing submissions of counsel for Staff and the Respondent;

IT IS HEREBY ORDERED that:

1. the settlement agreement dated _____, 2009, a copy of which is attached, is approved; and
2. pursuant to 135 of the Act that the Respondent pay an administrative penalty in the amount of fifty thousand dollars (\$50,000.00) forthwith; and
3. pursuant to 135A of the Act that the Respondent pay costs in connection with the Commission staff's investigation and conduct of the proceedings before the Commission in the amount of five thousand dollars (\$5,000.00) forthwith.

DATED at Halifax, Nova Scotia, this _____ day of _____, 2009.

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)