

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

- AND -

IN THE MATTER OF
IPC INVESTMENT CORPORATION (the "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.
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 of the Commission ("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.

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. The Respondent is registered as a mutual fund dealer in the provinces of Ontario and Nova Scotia, with its head office located in Mississauga, Ontario.
10. Robert Alexander Boutilier ("Boutilier") is a resident of Antigonish, Nova Scotia.
11. Boutilier registered with the Commission in the capacity of mutual fund salesperson beginning in 1991 with Investors Group Financial Services Inc. ("IG") and then transferred to Henry Hicks and Associates ("Hicks") in 1998. The Respondent amalgamated with Hicks on May 16, 2001.
12. After the amalgamation, the Respondent implemented measures in 2004 to ensure that a new account application form in the name of the Respondent was obtained for all accounts at the time of amalgamation and up to date KYC information was on file.

Mr. and Mrs. AB

13. Mr. and Mrs. AB are residents of Dartmouth, Nova Scotia. They became clients of Boutilier in 1996 while Boutilier was registered with IG. They moved with him to Hicks in 1998. In May 2001, Mr. and Mrs. AB became clients of the Respondent when it amalgamated with Hicks.
14. While at IG, Mr. and Mrs. AB began investing with a leverage loan in the amount of \$150,000. When Mr. and Mrs. AB transferred their account to Hicks in 1998, their investments were similar in nature to those at IG, being growth oriented equity funds, globally invested.
15. On December 12, 2002, approximately 19 months after they became clients of the Respondent, Boutilier recorded Know-Your-Client ("KYC") information from Mr. and Mrs. AB, which indicated that their risk tolerance was 6 out of 9, where a rating of 4, 5, or 6 was medium, and their net worth was between \$100,000 and \$200,000.
16. Upon the advice of Boutilier, Mr. and Mrs. AB voluntarily signed blank redemption forms, which Boutilier used to perform discretionary trades in Mr. and Mrs. AB's accounts, for the purpose of making redemptions to pay the interest on the leverage loan.
17. The Respondent contacted Boutilier via email on February 10, 2003, February 11, 2003, April 3, 2003 and July 11, 2003 advising him that the use of blank signed forms constitutes discretionary trading, which is not permitted for individuals registered as mutual fund salespersons.

18. In December 2002, based on a strategy recommended by Boutilier, Mr. and Mrs. AB's portfolio contained mutual funds, the majority of which were purchased using investment loans, some of which were rated as "medium to high" risk.
19. On February 03, 2003 Boutilier recorded Mr. and Mrs. AB's Personal Financial Review, which noted their net worth as \$91,600, with their investment loans amounting to 143% percent of their net worth. After recording this information, Boutilier failed to complete a new KYC form and file it with the Respondent.
20. On February 04, 2003, upon the advice of Boutilier, Mr. and Mrs. AB completed an application for a 20 year investment loan in the amount of \$19,961. The proceeds of the loan went to pay the balance of a previous investment loan originally undertaken in 1998, while at Hicks, in the amount of \$50,000.
21. Mr. and Mrs. AB complained to the Respondent in July or August, 2003 about the advice of Boutilier. On August 08, 2003 David Humphreys, Regional Director of Operations for the Respondent wrote to Mr. and Mrs. AB, acknowledging the complaint and indicating that the Regional Compliance Officer would review their file "over the next few weeks".
22. Mr. and Mrs. AB sent a second, written complaint to the Respondent on December 23, 2003.
23. On May 19, 2004, the Respondent responded to Mr. and Mrs. AB. The Respondent had previously written to Mr. and Mrs. AB to advise that its reply had been delayed because of an internal miscommunication. The Respondent's response incorrectly indicated that Mr. and Mrs. AB's investment loans represented 58% of their net worth and that their mutual fund portfolio was suitable given their medium-high risk tolerance.
24. The Respondent failed to adequately supervise Boutilier to ensure that Mr. and Mrs. AB had their KYC information recorded at the time of the amalgamation, and again in February 2003 after the Personal Financial Review had been recorded. As a result, the Respondent failed to ensure that the investments recommended by Boutilier were suitable for Mr. and Mrs. AB.
25. By relying on incorrect information in their response and taking almost nine months to provide a response, the Respondent failed to respond to Mr. and Mrs. AB's complaint in a fair and timely manner.

Mr. and Mrs. CD

26. Mr. and Mrs. CD are residents of Halifax, Nova Scotia.
27. Mr. and Mrs. CD became clients of Boutilier in 1996 while Boutilier was registered with IG, and became clients of the Respondent when it amalgamated with Hicks in May, 2001.

28. In August 2003, approximately 27 months after they became clients of the Respondent, Boutilier collected KYC information from Mr. and Mrs. CD. The KYC indicated that their risk tolerance was rated as 6 out of 9, where a rating of 4, 5, or 6 was medium. Some of the mutual funds held in Mr. and Mrs. CD's portfolio exceeded their recorded risk tolerance.
29. In 2004, Mr. and Mrs. CD signed various blank forms upon the direction of Boutilier. This included 11 redemption forms, which Boutilier used during February and March 2004 to redeem funds to make payments on two loans in Mr. and Mrs. CD's name.
30. The Respondent contacted Boutilier via email on February 10, 2003, February 11, 2003, April 3, 2003 and July 11, 2003 advising him that the use of blank signed forms constitutes discretionary trading, which is not permitted for individuals registered as mutual fund salespersons.
31. On December 22, 2004 Mr. and Mrs. CD complained directly to the Respondent about the advice and actions of Boutilier. The Respondent replied to the complaint on February 10, 2005 indicating that the funds held in their accounts were suitable based on their medium/high risk tolerance.
32. The Respondent failed to adequately supervise Boutilier to ensure that Mr. and Mrs. CD had their KYC information recorded at the time they became clients of the Respondent. As a result, the Respondent failed to ensure that the investments recommended by Boutilier were suitable for Mr. and Mrs. CD.

Mr. and Mrs. EF

33. Mr. and Mrs. EF are residents of Springhill, Nova Scotia.
34. Mr. and Mrs. EF became clients of Boutilier in 1999 when Boutilier worked for Hicks. They became clients of the Respondent in May, 2001 when the Respondent amalgamated with Hicks.
35. In March 2003, approximately 22 months after they became clients of the Respondent, Boutilier recorded KYC information from Mr. and Mrs. EF, which indicated that they had an investment objective of safety and a low risk tolerance.
36. Upon the advice of Boutilier, Mr. and Mrs. EF's portfolio, from 1997 to 2002 consisted of growth oriented mutual funds which were purchased using investment loans. Some of the funds were rated as medium, or above the March 2003 recorded risk tolerance for Mr. and Mrs. EF.

In March 2008, Mr. and Mrs. EF sent a written complaint to the Mutual Fund Dealers Association ("MFDA"), which was then sent to the Respondent for a response. The Respondent assessed the suitability of Mr. and Mrs. EF's

portfolio based on their past experience in investing and not on the 2003 KYC on file.

38. The Respondent failed to adequately supervise Boutilier to ensure that Mr. and Mrs. EF had their KYC information recorded at the time they became clients of the Respondent. As a result, the Respondent failed to ensure that the investments recommended by Boutilier were suitable for Mr. and Mrs. EF.
39. By relying on the past experience of Mr. and Mrs. EF and not on the KYC on file, the Respondent failed to respond to Mr. and Mrs. CD's complaint in a fair manner.

Summary

40. By failing to adequately supervise Boutilier and ensure the securities purchased were suitable for Mr. and Mrs. AB, CD, and EF, the Respondent breached section 31(1) of the Securities Regulations.
41. By delaying its response to Mr. and Mrs. AB's complaint, the Respondent failed to address the complaint in a timely manner, and by relying on incorrect information to support the actions and advice of Boutilier in its response to the complaints for Mr. and Mrs. AB and EF, the Respondent failed to address the complaints in a manner that was fair, honest, or in good faith thereby violating section 61 of the Securities Regulations.

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

42. The Respondent acknowledges and admits that it violated sections 31(1) and 61 of the Securities Regulations.
43. The Respondent acknowledges that, by violating sections 31(1) and 61 of the Securities Regulations its actions undermined investor confidence in the fairness and efficiency of capital markets in Nova Scotia and were contrary to the public interest.
44. The Respondent admits the facts set forth in Part III herein and acknowledges that it violated Nova Scotia securities laws.

PART V - MITIGATING FACTORS

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

46. The Respondent cooperated with Staff's investigation of this matter.
47. According to the Respondent's policies in or around the time the investments were made, an investment with a risk rating of "medium to high" was considered suitable for a client with a risk tolerance of medium or high. In 2008, the MFDA issued suitability guidelines which dealt directly with the interpretation of split-risk ratings such as "medium-high". According to these guidelines, the "medium-high" risk investments are only suitable for clients with a high risk tolerance if the dealer does not use split-risk ratings, which the Respondent does not.

Compliance Regime

48. While Boutilier was with Hicks its compliance regime consisted of one individual that also had other responsibilities. When Hicks was amalgamated with the Respondent in March 2001 the Respondent had 4 individuals fully dedicated to compliance and registration. This has since expanded to the Respondent's current level of 16 compliance staff and 4 registration staff.
49. In 2004, a project was undertaken by the Respondent whereby all accounts were reviewed to ensure that a new account application form including know your client information was on file for each client. The NAAF had to be one for the Respondent or a dealer amalgamated into the Respondent. All accounts identified as deficient were locked on the Respondent's back office system and no further trading was permitted until the deficiency was remedied.

Complaint Handling Policies and Procedures

50. Shortly after the untimely handling of the Mr. and Mrs. AB's complaint, overall complaint handling supervision was centralized at the Respondent's Head Office resulting in almost all complaints being handled therein. In the event that any complaint handling activities were performed at a regional office, this was strictly monitored and reviewed by the Respondent's Head Office compliance staff.
51. Compliance procedures, including those for escalating issues and reporting to senior management, have continually been reviewed and enhanced by the Respondent as a result of guidance from regulators and internal assessment.
52. Current policies and procedures of the Respondent ensure that complainants receive a detailed description of the Respondent's complaint resolution process as well as MFDA client complaint information disclosures.
53. As a result of MFDA Member Regulation Notice MR-0059 issued in December 2006, the Respondent implemented several best practices contained therein including:

- a. Providing clients with ready access through the Respondent's website to information about the Respondent's complaint resolution process as well as the ability of a client to file a complaint online.
 - b. Inclusion of an explanation of the Respondent's internal complaint handling in its initial response letter to clients who have made a complaint.
54. The Respondent has fully co-operated with OBSI when clients dissatisfied with its responses have then requested OBSI to review their complaint. The Respondent has accepted OBSI's recommendation and has paid the recommended amount to Mr. and Mrs. CD.
55. The Respondent will communicate with Mr. and Mrs. AB and EF and invite them to submit their concerns to OBSI for their review and the Respondent will abide by the OBSI's final recommendations.

Leveraging Policies and Supervision

56. Leveraging policies and procedures at the Respondent have continually been reviewed and amended as a result of guidance from regulators and internal assessment. These amendments include more stringent guidelines consistent with those recommended in MFDA Member Regulation Notice MR-0069 issued in April 2008. In particular, the Respondent revised its policies to require pre-approval of leveraging recommendations prior to implementation.
57. Notwithstanding the above, Boutilier had already been placed under strict supervision with respect to leveraging recommendations in April 2007 requiring him to submit any new recommendations to the Respondent for review and approval prior to implementation.

PART VI – TERMS OF SETTLEMENT

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

PART VII – COMMITMENTS

60. 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.

61. 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.
62. 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".
63. 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.
64. 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 63 in this Part will apply as if this Agreement had not been approved in accordance with the procedures set out herein.

VIII DISCLOSURE OF SETTLEMENT AGREEMENT

65. 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.


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IX EXECUTION OF SETTLEMENT AGREEMENT


66. 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 23rd day of November 2009.

SIGNED, SEALED AND DELIVERED
In the presence of:



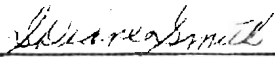
Witness

IPC Investment Corporation


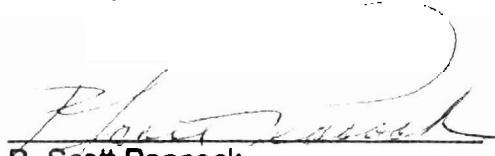
Per: **Gary Legault**
Position: VICE PRESIDENT

Dated this 25th day of November 2009.

SIGNED, SEALED AND DELIVERED
In the presence of:



Witness

Staff of the Nova Scotia Securities
Commission


R. Scott Peacock
Deputy Director
Compliance and Enforcement
Nova Scotia Securities Commission

SCHEDULE "A"

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

- AND -

IN THE MATTER OF
IPC INVESTMENT CORPORATION ("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 section 135 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 forty thousand dollars (\$40,000.00) 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 three thousand dollars (\$3,000.00) forthwith.

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

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)