

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

- AND -

IN THE MATTER OF
Investors Group Financial Services ("IG")

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. Staff of the Nova Scotia Securities Commission ("Commission") agree to request that a Notice of Hearing be issued setting a hearing down to consider whether, pursuant to sections 135 and 135A of the Act, in the opinion of the Commission, it is in the public interest for the Commission to:
 - a. Approve this settlement agreement;
 - b. Make a determination pursuant to section 135(a) of the Act that IG has contravened the Act or its regulations;
 - c. Make an order pursuant to section 135(b) that IG pay an administrative penalty in the amount of twenty five thousand dollars (\$25,000.00) forthwith; and
 - d. Make an order pursuant to section 135A of the Act that IG pay costs in connection with the Staff's investigation and conduct of the proceedings before the Commission in the amount of two thousand five hundred dollars (\$2,500.00) forthwith.

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agrees to recommend settlement of the proceedings initiated in respect of IG by the Notice of Hearing referred to above in accordance with the terms and conditions set out below. IG agrees to the settlement on the basis of the facts agreed to as hereinafter provided and consents to the making of an Order, in the form attached as Schedule "A", on the basis of the facts set out below in respect to the violations of the Act.

PART III – STATEMENT OF FACTS

Acknowledgment

3. Staff and IG agree with the facts and conclusions set out in this Part of this Settlement Agreement (“Agreement”).

Introduction

4. IG is incorporated under the Canada Business Corporations Act and is extra-provincially registered to carry on business in Nova Scotia.
5. IG was granted registration by the Commission as a mutual fund dealer on January 1, 1992.
6. Les Services Investisseurs Limitée (“LSIL”), an affiliate of IG, was registered as a financial services firm with the Autorité des marchés financiers in Quebec. LSIL merged with IG effective January 1, 2006.
7. LSIL never held registration with the Commission.

Facts

8. Beginning in 1997 up to and including 2006, LSIL sold securities in Nova Scotia to 17 clients without registration thereby violating Section 31 of the Act.
9. Between November, 2004 and September, 2005, IG failed to notify the Commission within five business days that five of its salespersons were terminated, thereby contravening Section 39(1)(c) of the Act. In particular:
 - a. Rae Tench, registered with the Commission at the time as a salesperson with IG, was terminated by IG effective October 31, 2004. The Commission was notified of this termination on November 24, 2004.
 - b. Roderick Trotman, registered with the Commission at the time as a salesperson for IG, was terminated by IG effective July 4, 2005. The Commission was notified of this termination on July 21, 2005.
 - c. Kevin Marshall, registered with the Commission at the time as a salesperson with IG, was terminated by IG effective August 2, 2005. The Commission was notified of this termination on September 6, 2005.
 - d. Ronald Boivon and ^{Scott} Scott Thomas, both registered with the Commission at the time as salespersons with IG, were terminated by IG effective August 4, 2005. The Commission was notified of these terminations on September 6, 2005.

R. B. J. M.
RB

10. Bryant Clarke ("Clarke") was registered with the Commission as a salesperson for IG on August 31, 2002. Clarke's registration was suspended on March 24, 2005 because he took a leave of absence.
11. Clarke returned to work as a salesperson for IG in April, 2005, but his registration was not reinstated until October, 2005. Between April and October 2005, Clarke performed registerable activity without being registered. IG failed to ensure that registration was granted to Clarke, thereby contravening section 31(1) of the Act.

Mitigating Factors

12. IG acknowledges and accepts responsibility for its conduct which is the subject matter of Staff's allegations. IG regrets having violated the Act as indicated and the effect it may have had on the capital markets and its former registrants.
13. IG has made staffing changes and put new procedures in place to avoid violating section 39(1)(c) of the Act in the future.
14. LSIL merged with IG effective January 1, 2006. IG is registered with the Commission as a mutual fund dealer.
15. IG fully cooperated with Staff's investigation of these matters.

Conduct Contrary to the Public Interest

16. In summary, during material times IG's actions violated Nova Scotia securities laws and were contrary to the public interest. IG's conduct was detrimental to the integrity and efficiency of the capital markets in Nova Scotia and was prejudicial to the interests of its Nova Scotian investors.

PART IV – POSITION OF IG

17. IG admits the facts set forth in Part III herein and acknowledges that it violated the Act.

PART V – TERMS OF SETTLEMENT

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

PART VI – COMMITMENTS

19. If this Agreement is approved by the Commission, Staff will not initiate any further proceedings before the Commission related to those facts set out in Part III of this Agreement in accordance with the procedures described herein.
20. If this Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting IG in this matter and IG agrees to waive any right to a full hearing and appeal of this matter under the Act.
21. If this Agreement is approved by the Commission, the parties to this Agreement will not make any statement that is inconsistent with the Agreement.
22. If this Agreement is approved by the Commission, IG shall abide by all terms of this Agreement in accordance with the Order set forth in Schedule "A".
23. If, for any reason whatsoever, this Agreement is not approved by the Commission, or the Order set forth in Schedule "A" is not made by the Commission:
 - a. Each of Staff and IG will be entitled to proceed to a hearing of the allegations in the Notice of Hearing and related Statement of Allegations 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 IG or as may otherwise be required by law; and
 - c. IG 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.
24. 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 IG in writing. In the event of such notice being given, the provisions of paragraph 23 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

25. Staff or IG may refer to any or all parts of this Agreement in the course of the hearing convened to consider this Agreement. 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

26. 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 18th day of October, 2006.

SIGNED, SEALED AND DELIVERED
In the presence of:

DJ Macdonald
Witness

Investors Group Financial Services

Per: Patricia M. Kloepfer
Patricia M. Kloepfer
Vice President
IGFS Compliance Officer

Dated this 23 day of October, 2006.

SIGNED, SEALED AND DELIVERED
In the presence of:

Silvian Smith
Witness

Staff of the Nova Scotia Securities
Commission

Per: R. Scott Peacock
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
Investors Group Financial Services ("Respondent")

ORDER
(Sections 135, 135A)

WHEREAS on _____, 2006, 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 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 the Notice of Hearing, and upon hearing submissions of counsel for Staff and the Respondent;

IT IS HEREBY ORDERED, pursuant to sections 135 and 135A of the Act, that:

1. the settlement agreement dated _____, 2006, a copy of which is attached, is approved;
2. pursuant to section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of twenty five thousand dollars (\$25,000.00) forthwith; and
3. pursuant to section 135A of the Act, the Respondent shall pay costs in connection with the investigation and conduct of the proceedings before the

Commission in the amount of two thousand five hundred dollars (\$2,500.00) forthwith;

DATED at Halifax, Nova Scotia, this _____ day of _____, 2006.

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)