

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c.S.5, as amended**

- and -

I.G. INVESTMENT MANAGEMENT, LTD.

AMENDED STATEMENT OF ALLEGATIONS

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

I. Background

1. In November 2003, the Commission, in co-operation with the Investment Dealers’ Association of Canada and the Mutual Fund Dealers Association of Canada, began an inquiry into potential late trading and market timing in the Canadian mutual fund industry. The inquiry involved 105 Canadian mutual fund companies, and has been carried out in three phases. The inquiry is in its third and final phase, is expected to continue over the next several weeks and involves a number of mutual fund managers.

II. The Respondent

2. I.G. Investment Management, Ltd. (“IG”) is registered in Ontario and Manitoba as an investment counsel and portfolio manager and is responsible for the management of in excess of 140 mutual funds (“IG Funds”) with assets under management of approximately \$42.5 billion (as of June 30, 2004). The distributor of IG Funds is Investor Group Financial Services Inc., except in Quebec where the distributor is Les Services Investors Limitée, (collectively, the “Distributor”). IG and the Distributor are affiliated through their common ownership by Investors Group Inc., which is a wholly-owned subsidiary of IGM Financial Inc. (“IGMFI”). The shares of IGMFI are listed on the Toronto Stock Exchange under the symbol “IGI”. The companies comprising Investors Group have an integrated management structure and many of the sales, compliance, and operational staff provide services to both IG and the Distributor.

III. Market Timing: Cause and Effect

3. Market timing involves short-term trading of mutual fund securities to take advantage of short term discrepancies between the “stale” values of securities within a mutual fund’s portfolio and the current market value of those securities. Stale values can occur in mutual fund portfolios comprised, in whole or in part, of non-North American foreign equities. Stale values of those securities may result in stale values of the units of a mutual fund as a result of the way in which the net asset value (“NAV”) of most mutual funds is calculated for the purpose of determining the price at which an investor may purchase or redeem (buy or sell) a unit of the fund.

4. A market timer will attempt to take advantage of the difference between the “stale” value and an expected price movement of a fund the following day by trading in anticipation of those price movements.

IV. The Harm Caused by Market Timing of Mutual Funds

5. When certain investors engage in frequent trading market timing in foreign funds, and when those investors are not required to pay a proportionate fee to the fund, the economic interest of long-term unitholders of these foreign funds is adversely affected. Significant harm may be incurred by a fund in which frequent trading market timing occurs. Any such harm would be borne by all investors in the fund. In addition to dilution¹, market timing in a fund also may result in certain inefficiencies in that fund. Those inefficiencies, which will vary depending upon the particular fund, may involve increased transaction costs and disruption of a fund’s portfolio management strategy (including the maintenance of cash or cash equivalents and/or monetization of investments to meet redemption requirements) and may impair a fund’s long-term performance.

V. The Disclosure of IG Simplified Prospectus and AIF

6. Specific statements contained in the Prospectuses and AIFs filed by IG for the years 2000 to 2002 (although not identical from year to year) disclosed that IG (directly, and through its affiliated Distributor) could take certain steps, including imposing a fee of up to 3%, or prohibiting the purchase of further IG Funds, in circumstances where it was determined by the Distributors that “excessive” switching by an investor between IG Funds would have a detrimental effect on the IG Funds.

VI. Market Timing in IG Funds

7. One institutional client holding accounts in IG Funds has been identified as having profited as a result of frequent trading market timing strategies that were pursued in certain IG Funds (the “Market Timing Client”). The Market Timing Client traded in IG Funds through the Distributor.

¹ Dilution of a fund’s value caused by market timing can be calculated by taking the percentage difference between the fund’s stale price and current market value multiplied by the amount invested.

VII. The Fund Manager's Duty

8. A mutual fund manager is required by Ontario securities law to exercise the powers and discharge the duties of its office honestly and in good faith and in the best interests of the mutual fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. Compliance with this duty requires that a mutual fund manager have regard to the potential for harm to a fund from an investor seeking to employ a frequent trading market timing strategy and take reasonable steps to protect a mutual fund from such harm to the extent that a reasonably prudent person would have done in the circumstances.

VIII. CONDUCT CONTRARY TO THE PUBLIC INTEREST

9. IG implemented certain measures to protect the IG Funds against the costs incurred as a result of the trading by the Market Timing Client. Those measures reduced but did not negate the harm resulting from the market timing activities. IG failed to recognize all costs (and, in particular, dilution) resulting from the frequent trading market timing activities of the Market Timing Client and did not implement appropriate measures to protect the funds against the associated harm.

10. The conduct of IG in failing to protect fully the best interests of the Relevant Funds in respect of the frequent trading market timing was contrary to the public interest.

11. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated this 13th day of December, 2004.