The Ontario Securities Commission

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May 25, 2007

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The Ontario Securities Commission Administers the
Securities Act of Ontario (R.S.O. 1990, c. S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c. C.20)

The Ontario Securities Commission
Cadillac Fairview Tower
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

416-593-8314 or Toll Free 1-877-785-1555

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416-609-3800 or 1-800-387-5164

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

MAY 25, 2007

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

May 25, 2007 10:00 a.m.	**John Alexander Cornwall, Kathryn A. Cook, David Simpson, Jerome Stanislaus Xavier, CGC Financial Services Inc. and First Financial Services** s. 127 and 127.1 S. Horgan in attendance for Staff Panel: RLS/DLK/MCH
May 28, 2007 10:00 a.m.	**Jose Castaneda** s. 127 and 127.1 H. Craig in attendance for Staff Panel: WSW/DLK
June 5, 2007 10:00 a.m.	**Certain Directors, Officers and Insiders of Research In Motion Limited** s. 144 J.S. Angus in attendance for Staff Panel: JEAT/CSP
June 14, 2007 10:00 a.m.	**Peter Sabourin, W. Jeffrey Haver, Greg Irwin, Patrick Keaveney, Shane Smith, Andrew Lloyd, Sandra Delahaye, Sabourin and Sun Inc., Sabourin and Sun (BVI) Inc., Sabourin and Sun Group of Companies Inc., Camdeton Trading Ltd. and Camdeton Trading S.A.** s. 127 and 127.1 Y. Chisholm in attendance for Staff Panel: WSW/DLK/ST

June 18, 2007
10:00 a.m.

Eugene N. Melnyk, Roger D. Rowan, Watt Carmichael Inc., Harry J. Carmichael and G. Michael McKenney

s. 127 and 127.1

J. Superina in attendance for Staff

Panel: TBA

June 21, 2007
10:00 a.m.

Momentas Corporation, Howard Rash, Alexander Funt, Suzanne Morrison* and Malcolm Rogers*

s. 127 and 127.1

P. Foy in attendance for Staff

Panel: WSW/CSP

* Settled April 4, 2006

June 29, 2007
10:00 a.m.

Land Banc of Canada Inc., LBC Midland I Corporation, Fresno Securities Inc., Richard Jason Dolan, Marco Lorenti and Stephen Zeff Freedman

s. 127

H. Craig in attendance for Staff

Panel: PJL/ST

July 5, 2007
10:00 a.m.

Sulja Bros. Building Supplies, Ltd. (Nevada), Sulja Bros. Building Supplies Ltd., Kore International Management Inc., Petar Vucicevich and Andrew DeVries

s. 127 & 127.1

P. Foy in attendance for Staff

Panel: WSW/MCH

July 5, 2007
11:30 a.m.

Norshield Asset Management (Canada) Ltd., Olympus United Group Inc., John Xanthoudakis, Dale Smith and Peter Kefalas

s.127

M. MacKewn in attendance for Staff

Panel: WSW/DLK

July 9, 2007
10:00 a.m.

***AiT Advanced Information Technologies Corporation, *Bernard Jude Ashe and Deborah Weinstein**

s. 127

K. Manarin in attendance for Staff

Panel: TBA

* Settlement Agreements approved February 26, 2007

July 17, 2007
2:00 p.m.

Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)

s. 127 and 127.1

D. Ferris in attendance for Staff

Panel: TBA

October 9, 2007
10:00 a.m.

John Daubney and Cheryl Littler

s. 127 and 127.1

A.Clark in attendance for Staff

Panel: TBA

October 12, 2007
10:00 a.m.

Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton

s. 127

H. Craig in attendance for Staff

Panel: TBA

October 22, 2007
10:00 a.m.

Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin

s. 127

H. Craig in attendance for Staff

Panel: TBA

October 29, 2007 10:00 a.m.	**Mega-C Power Corporation, Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited** s. 127 A. Sonnen in attendance for Staff Panel: TBA
November 12, 2007 10:00 a.m.	**Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson** s.127 J. Superina in attendance for Staff Panel: TBA
December 10, 2007 10:00 a.m.	**Rex Diamond Mining Corporation, Serge Muller and Benoit Holemans** s. 127 & 127(1) H. Craig in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir** S. 127 & 127.1 K. Manarin in attendance for Staff Panel: TBA
TBA	**Euston Capital Corporation and George Schwartz** s. 127 Y. Chisholm in attendance for Staff Panel: TBA
TBA	**Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell** s. 127 J. Waechter in attendance for Staff Panel: TBA
TBA	***Philip Services Corp. and Robert Waxman** s. 127 K. Manarin/M. Adams in attendance for Staff Panel: TBA Colin Soule settled November 25, 2005 Allen Fracassi, Philip Fracassi, Marvin Boughton, Graham Hoey and John Woodcroft settled March 3, 2006 * Notice of Withdrawal issued April 26, 2007
TBA	**First Global Ventures, S.A., Allen Grossman and Alan Marsh Shuman** s. 127 D. Ferris in attendance for Staff Panel: WSW/ST/MCH
TBA	**Frank Dunn, Douglas Beatty, Michael Gollogly** s.127 K. Daniels in attendance for Staff Panel: TBA
TBA	**Limelight Entertainment Inc., Carlos A. Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

Andrew Keith Lech

S. B. McLaughlin

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol

Andrew Stuart Netherwood Rankin

Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg

Maitland Capital Ltd., Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Diana Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow

1.2 Notices of Hearing

1.2.1 Eugene N. Melnyk et al.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

EUGENE N. MELNYK, ROGER D. ROWAN, WATT CARMICHAEL INC., HARRY J. CARMICHAEL AND G. MICHAEL McKENNEY

NOTICE OF HEARING

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act* at the Commission's offices on the 17th floor, 20 Queen Street West, Toronto, Ontario, commencing on Friday, May 18, 2007 at 2:30 p.m. or as soon thereafter as the hearing can be held.

AND TAKE NOTICE THAT the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve the settlement of the proceeding entered into between Staff of the Commission and the Respondent Eugene N. Melnyk;

BY REASON OF the allegations set out in the Statement of Allegations dated July 28, 2006 in this matter and such additional allegations as counsel may advise and the Commission may permit.

AND TAKE FURTHER NOTICE THAT any party to the proceeding may be represented by counsel if that party attends or submits evidence at the hearing.

AND TAKE FURTHER NOTICE THAT, upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 17th day of May, 2007.

"John Stevenson"
Secretary to the Commission

1.4 Notices from the Office of the Secretary

1.4.1 Eugene N. Melnyk et al.

FOR IMMEDIATE RELEASE
May 17, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
EUGENE N. MELNYK, ROGER D. ROWAN,
WATT CARMICHAEL INC., HARRY J. CARMICHAEL
AND G. MICHAEL McKENNEY

TORONTO – The Office of the Secretary issued a Notice of Hearing today to consider whether it is in the public interest to approve the settlement of the proceeding entered into between Staff of the Commission and Eugene N. Melnyk to be heard on Friday, May 18, 2007 at 2:30 p.m. in the Large Hearing Room.

A copy of the Notice of Hearing is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

For investor inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.2 Land Banc of Canada Inc. et al.

FOR IMMEDIATE RELEASE
May 17, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
LAND BANC OF CANADA INC.,
LBC MIDLAND I CORPORATION,
FRESNO SECURITIES INC.,
RICHARD JASON DOLAN, MARCO LORENTI
AND STEPHEN ZEFF FREEDMAN

TORONTO – Following a hearing held today, the Commission issued an Order continuing the Temporary Order of May 8, 2007, until June 29, 2007, or until further order of the Commission in the above matter, with certain amendments respecting Richard Jason Dolan and Marco Lorenti.

A copy of the Order is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

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416-593-8314
1-877-785-1555 (Toll Free)

1.4.3 Zoran Popovic and DXStorm.Com Inc.

FOR IMMEDIATE RELEASE
May 17, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ZORAN POPOVIC AND
DXSTORM.COM INC.

TORONTO – It came to the attention of the Office of the Secretary that the Notice of Hearing, the Settlement Agreement and the Order approving the settlement agreement between Staff of the Commission and Zoran Popovic and DXStorm.Com Inc. dated May 10, 2005 (the "Order") in the above noted matter, had inadvertently not been published in the OSC Bulletin. Accordingly, the Secretary's Office is now publishing these documents for completeness.

These documents had nevertheless been made available following the release of the Order at **www.osc.gov.on.ca**.

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JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

For investor inquiries: OSC Contact Centre
416-593-8314
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1.4.4 Zoran Popovic and DXStorm.Com Inc.

FOR IMMEDIATE RELEASE
May 10, 2005

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ZORAN POPOVIC AND
DXSTORM.COM INC.

TORONTO – The Commission issued an Order approving the settlement agreement between Staff of the Commission and Zoran Popovic and DXStorm.Com Inc. today.

A copy of the Order and Settlement Agreement with Schedule A and Schedule B is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For Investor Inquiries: OSC Contact Centre
416-593-8314
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1.4.5 AiT Advanced Information Technologies Corporation et al.

FOR IMMEDIATE RELEASE
May 17, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
AiT ADVANCED INFORMATION TECHNOLOGIES CORPORATION, BERNARD JUDE ASHE AND DEBORAH WEINSTEIN

TORONTO – Following a Hearing held on May 9, 2007, the Commission issued an Order that the Motion to Dismiss is adjourned until after the conclusion of the evidence called by Staff at the hearing, and may then be brought on at the discretion of the Applicant and the panel at the hearing.

A copy of the Order is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

For investor inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.6 Eugene N. Melnyk et al.

FOR IMMEDIATE RELEASE
May 18, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
EUGENE N. MELNYK, ROGER D. ROWAN, WATT CARMICHAEL INC., HARRY J. CARMICHAEL AND G. MICHAEL McKENNEY

TORONTO – Following a hearing held today, the Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and Eugene N. Melnyk.

A copy of the Order and Settlement Agreement are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

For investor inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.7 Stephen Taub

FOR IMMEDIATE RELEASE
May 18, 2007

IN THE MATTER OF
AN APPLICATION FOR A HEARING AND REVIEW OF DECISIONS OF THE ONTARIO DISTRICT COUNCIL OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA PURSUANT TO SECTION 21.7 OF THE SECURITIES ACT, R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
DISCIPLINE PROCEEDINGS PURSUANT TO BY-LAW 20 OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

BETWEEN

STAFF OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

AND

STEPHEN TAUB

TORONTO – Following a hearing held on April 2, 2007, the Commission issued its Reasons and Decision in the above noted matter on May 17, 2007.

A copy of the Decision and Reasons is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

For investor inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.8 Nortel Networks Corporation and Nortel Networks Limited

FOR IMMEDIATE RELEASE
May 22, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
NORTEL NETWORKS CORPORATION AND NORTEL NETWORKS LIMITED
(collectively, "Nortel")

TORONTO – Following a hearing held today, the Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and Nortel.

A copy of the Order and Settlement Agreement are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

For investor inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.9 Juniper Fund Management Corporation et al.

FOR IMMEDIATE RELEASE
May 23, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
THE JUNIPER FUND MANAGEMENT CORPORATION,
JUNIPER INCOME FUND,
JUNIPER EQUITY GROWTH FUND AND
ROY BROWN (a.k.a. ROY BROWN-RODRIGUES)

TORONTO – Following the hearing held on May 22, 2007, the Commission made an Order pursuant to subsection 127(7) of the Act in the above named matter which provides that:

(a) the Hearing is adjourned to July 17, 2007 at 2:00 p.m.; and

(b) the Temporary Order is extended until July 17, 2007.

A copy of the Order is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
416-593-8120

Laurie GIllett
Manager, Public Affairs
416-595-8913

For investor inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Fidelity Retirement Services Company of Canada Limited - MRRS Decision

Headnote

Mutual reliance review system for exemptive relief applications – Applicant exempted from the suitability obligations of a dealer in the Legislation in respect of trades in securities of mutual funds to Capital Accumulation Plans, subject to terms and conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 74(1).

Rules Cited

Ontario Securities Commission Rule 31-505 – Conditions of Registration.
National Instrument 81-102 – Mutual Funds.
National Instrument 81-104 - Commodity Pools.
National Instrument 81-106 – Investment Fund Continuous Disclosure.
National Instrument 45-106 – Prospectus and Registration Exemptions.

Published Documents Cited

Amendments to NI 45-106 – Registration and Prospectus Exemption for Certain Capital Accumulation Plans, October 21, 2005 (2005), 25 OSCB 8681.

May 16, 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND AND NEWFOUNDLAND AND LABRADOR (the Jurisdictions)

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
FIDELITY RETIREMENT SERVICES COMPANY OF CANADA LIMITED
(the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation (the **Legislation**) in each Jurisdiction exempting:

(i) the Filer, as a registered mutual fund dealer, and

(ii) the individuals that are registered to trade on behalf of the Filer (each, a **Registered Representative**)

from Suitability Obligations (as defined below) where the Filer, and the Registered Representative acting on behalf of the Filer, effects a trade that consists of a purchase or redemption of mutual fund securities by a Participant (as defined below) under a Fidelity Group Plan (as defined below).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

In this decision:

(a) Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are otherwise defined in this decision;

(b) "CAP Exemption" means the proposed exemption from the dealer registration requirement to be established through an amendment to NI 45-106, which was published for comment under the CSA Notice, as set out in the attached Appendix;

(c) "CAP Guidelines" means the *Guidelines for Capital Accumulation Plans* dated May 28, 2004 released by The Joint Forum of Financial Market Regulators;

(d) "capital accumulation plan" shall have the meaning given to that term in the CAP Exemption, except that, in the representations to this decision, the use of this term, and other terms that are defined in the CAP Exemption by reference to a "capital accumulation plan" does not necessarily

incorporate from the corresponding definition of the CAP Exemption the requirement that the subject investment or savings plan be "tax assisted";

(e) "CSA Notice" means the CSA Request For Comment – Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions* and Adoption of Local Prospectus and Registration Exemptions for Certain Capital Accumulation Plans, dated October 21, 2005.[1]

(f) "employer stock" means securities issued by a person or company that is the plan sponsor of a Fidelity Group Plan;

(g) "Fidelity Group Plan" means a capital accumulation plan that is an employer-sponsored group retirement and savings plan for which the Filer acts as record-keeper;

(h) "GICs" means a guaranteed investment certificate or other evidence of deposit issued by a Canadian financial institution which is not included within the definition of a "security" for the purposes of the applicable Legislation;

(i) "FICL" means "Fidelity Investments Canada Limited";

(j) "member" has the same meaning as the CAP Exemption;

(k) "MFDA" means the Mutual Fund Dealers Association of Canada;

(l) "mutual fund securities" means shares or units of a mutual fund, which, for greater certainty, shall include shares or units of a single-stock mutual fund;

(m) "NI 45-106" means National Instrument 45-106 *Prospectus and Registration Exemptions*;

(n) "Participant" means a member who participates in a Fidelity Group Plan as permitted by the applicable plan sponsor;

(o) "plan sponsor" has the same meaning as the CAP Exemption.

(p) "single-stock mutual fund" means, in the case of a Fidelity Group Plan, mutual fund securities of a mutual fund that invests solely in common stock of an employer plan sponsor, which may be distributed to Participants under the Plan pursuant to discretionary exemptions from prospectus requirement in the Legislation of a Jurisdiction obtained by the Filer and/or FICL.

(q) "Suitability Obligation" means, for any trade under a Fidelity Group Plan effected by the Filer or a Registered Representative acting on behalf of the Filer, that consists of a purchase or redemption by a Participant of mutual fund securities, the requirement in the Legislation to make enquiries of the Participant, as are appropriate, to determine:

(i) the general investment needs and objectives of the Participant; and

(ii) the suitability of the proposed purchase or redemption of the mutual fund securities for the Participant.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation incorporated under the laws of Ontario. The head office of the Filer is in Toronto, Ontario.

2. The Filer is registered under the Legislation of each Jurisdiction as a dealer in the category of "mutual fund dealer" (or the equivalent).

3. The Filer is a member of the MFDA.

4. The Filer is a wholly-owned subsidiary of FICL, a corporation amalgamated under the laws of Ontario.

5. The Filer's principal business is acting as record keeper for Fidelity Group Plans, and, in the course of so acting, the Filer may effect a trade that consists of a purchase or redemption by a Participant in a Fidelity Group Plan of one of the following: mutual fund securities, employer stock or GICs.

6. For each Fidelity Group Plan, the plan sponsor (which is generally an employer), will choose from a slate of investment options the specific investment options to be made available to Participants in their particular Plan. The investment options available to the Participant in a Fidelity Group Plan may, depending upon the plan sponsor of the Plan, include: (i) mutual fund securities of mutual funds managed by FICL or another manager; (ii) employer stock or mutual fund securities of single-stock mutual funds; and (iii) GICs. A Participant in a Fidelity Group Plan chooses which available investment options he or she wishes to purchase, with his or her payroll and/or lump sum contributions, on the basis of the material provided to the Participant by the Filer, which will, in the case of any mutual fund securities of publicly-offered mutual funds, include the simplified prospectus or other mandated point of sale disclosure document for the fund. In many

[1] in (2005), 28 OSCB 861 *et seq.*

cases, the employer plan sponsor of a Fidelity Group Plan will make a matching contribution towards the purchase of a Participant's investment.

7. In order to become a Participant in a Fidelity Group Plan, the Participant must, in addition to qualifying under the rules of the Plan, provide the Filer with information as to the identity of the Participant, including: name, address, social insurance number, employment status and spousal information. Presently, Participants also provide the Filer with information sufficient to permit the Filer to satisfy its Suitability Obligations in respect of any purchase or redemption of mutual fund securities by a Participant under a Fidelity Group Plan.

8. Participants in a Fidelity Group Plan transmit their investment choices to the Filer, who acts as an order-taker, akin to the services provided by a discount broker, to execute the order. Purchase orders are executed on behalf of a Participant only after the Filer has received the corresponding purchase funds.

9. In connection with their activities under any Fidelity Group Plan, neither the Filer nor any of its Registered Representatives presently provides investment advice or recommendations to any Participant concerning the Participant's acquisition or disposition of any investment through the Fidelity Group Plan. The Filer's purchase of mutual fund securities, employer stock or GICs on behalf of a Participant in a Fidelity Group Plan are, for the most part, automatic purchases, and the Filer acts as an order-taker carrying out instructions of the Participant (with respect to the Participant's contribution and any employer contributions).

10. Participants are not induced to purchase any mutual fund securities, employer stock or GICs under a Fidelity Group Plan by expectation of employment or continued employment.

11. For all of the Fidelity Group Plans, neither the potential slate of investment options that may be made available to a Participant under the Plan, nor the services provided by the Filer, depends upon whether the Fidelity Group Plan is or is not a capital accumulation plan that is a tax-assisted plan.

12. Over the years, FICL and the Filer have obtained various exemptive relief decisions to allow them to trade employer stock to Participants in Fidelity Group Plans, which, depending upon the Jurisdiction, have expressly, or implicitly, included an exemption from the otherwise applicable Suitability Obligations related to these trades.

13. The CAP Guidelines set out the expectations of the regulators, including the Decision Makers, concerning the operation of capital accumulation plans that are tax assisted investment or savings plans. The CAP Guidelines and the CAP Exemption do not require that members of the relevant capital accumulation plan be provided with investment advice, or that any suitability analysis be performed; instead, they require that members be provided with investment education and the tools to make investment decisions, which the Filer provides to Participants in any Fidelity Group Plan on behalf of the plan sponsor of the Plan. The Filer, as record-keeper of the Fidelity Group Plans, complies with the CAP Guidelines for all of its Fidelity Group Plans regardless of whether they are tax assisted. The Filer will treat any non-tax assisted Fidelity Group Plans as if the CAP Guidelines were applicable to them.

14. As contemplated in the CSA Notice, in each of the Jurisdictions, other than Ontario and Quebec, the CAP Exemption has now been adopted in the form of a blanket exemption from the dealer registration requirement and the prospectus requirement, with the Appendix setting out the text of the blanket exemption. In Ontario and Quebec, the CSA Notice contemplates that the CAP Exemption will not be adopted in the form of a blanket exemption, but will, instead, be used as a template of standard conditions and terms of relief for applicants who apply for an exemption from the dealer registration requirement or prospectus requirement in the Legislation of these Jurisdictions.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under the Legislation of each Jurisdiction is that:

(i) the Filer, as a registered mutual fund dealer, and

(ii) any Registered Representative acting on behalf of the Filer,

are exempt from Suitability Obligations for any trade, effected by the Filer or the Registered Representative, that consists of a purchase or redemption by a Participant of mutual fund securities under a Fidelity Group Plan, as described above, provided that:

A. the trade is made in accordance with the requirements that would, if the Filer and the Registered Representative were not registered to make the trade, have to be satisfied in order for the trade to be exempt from the dealer registration

requirement pursuant to the CAP Exemption, if the CAP Exemption were in force in the Jurisdiction, except for any requirements established through the definition of a capital accumulation plan in the CAP Exemption that the subject investment or savings plan be "tax assisted";

B. the Participant has previously received notice from the Filer informing the Participant that for any trade effected by the Filer that consists of a purchase or redemption by the Participant of mutual fund securities under the Fidelity Group Plan, where the Filer has not provided investment advice or recommendations to the Participant in respect of the particular trade, the Filer will not make, and is not obliged by law to make, any inquiries of the Participant to determine:

   i) the general investment needs and objectives of the Participant; or

   ii) the suitability of the trade for the Participant;

C. neither the Filer nor the Registered Representative has provided any investment advice or recommendations to the Participant in respect of the trade; and

D. this decision shall terminate three years after the date of its approval, unless earlier renewed.

"David M. Gilkes"
Manager, Registrant Regulation

Appendix A -- Registration and Prospectus Exemption for Certain Capital Accumulation Plans

Part 1 – Definitions

"*capital accumulation plan*" means a tax assisted investment or savings plan, including a defined contribution registered pension plan, a group registered retirement savings plan, a group registered education savings plan, or a deferred profit sharing plan, established by a plan sponsor that permits a member to make investment decisions among two or more investment options offered within the plan and in Québec and Manitoba, includes a simplified pension plan.

"*member*" means a current or former employee of an employer, or a person who belongs, or did belong to a trade union or association, or

   (a) his or her spouse,

   (b) a trustee, custodian or administrator who is acting on his or her behalf, or for his or her benefit, or on behalf of, or for the benefit of, his or her spouse, or

   (c) his or her holding entity, or a holding entity of his or her spouse,

that has assets in a capital accumulation plan, and includes a person that is eligible to participate in a capital accumulation plan.

"*plan sponsor*" means an employer, trustee, trade union or association or a combination of them that establishes a capital accumulation plan, and includes a service provider to the extent that the plan sponsor has delegated its responsibilities to the service provider.

"*service provider*" means a person or company that provides services to a plan sponsor to design, establish, or operate a capital accumulation plan.

Part 2 -- Exemptions

2.1 The dealer registration requirement does not apply to a trade by a person or company in a security of a mutual fund to a capital accumulation plan, or to a member of a capital accumulation plan as part of the member's participation in the capital accumulation plan, if the following conditions are met:

   (a) the plan sponsor selects the mutual funds that members will be able to invest in under the capital accumulation plan,

   (b) the plan sponsor establishes a policy, and provides members with a copy of the policy and any amendments to it, describing what happens if a member does not make an investment decision,

(c) in addition to any other information that the plan sponsor believes is reasonably necessary for a member to make an investment decision within the capital accumulation plan, and unless that information has previously been provided, the plan sponsor provides the member with the following information about each mutual fund the member may invest in,

(i) the name of the mutual fund,

(ii) the name of the manager of the mutual fund and its portfolio adviser,

(iii) the fundamental investment objective of the mutual fund,

(iv) the investment strategies of the mutual fund or the types of investments the mutual fund may hold,

(v) a description of the risks associated with investing in the mutual fund,

(vi) where a member can obtain more information about each mutual fund's portfolio holdings,

(vii) where a member can obtain more information generally about each mutual fund, including any continuous disclosure, and

(viii) whether the mutual fund is considered foreign property for income tax purposes, and if so, a summary of the implications of that status for a member who invested in that mutual fund,

(d) the plan sponsor provides members with a description and amount of any fees, expenses and penalties relating to the capital accumulation plan that are borne by the members, including:

(i) any costs that must be paid when the mutual fund is bought or sold,

(ii) costs associated with accessing or using any of the investment information, decision-making tools or investment advice provided by the plan sponsor,

(iii) mutual fund management fees,

(iv) mutual fund operating expenses,

(v) record keeping fees,

(vi) any costs for transferring among investment options, including penalties, book and market value adjustments and tax consequences,

(vii) account fees, and

(viii) fees for services provided by service providers

provided that the plan sponsor may disclose the fees, penalties and expenses on an aggregate basis, if the plan sponsor discloses the nature of the fees, expenses and penalties, and the aggregated fees do not include fees that arise because of a choice that is specific to a particular member.

(e) the plan sponsor has within the past year, provided the members with performance information about each mutual fund the members may invest in, including,

(i) the name of the mutual fund for which the performance is being reported,

(ii) the performance of the mutual fund, including historical performance for one, three, five and 10 years if available,

(iii) a performance calculation that is net of investment management fees and mutual fund expenses,

(iv) the method used to calculate the mutual fund's performance return calculation, and information about where a member could obtain a more detailed explanation of that method,

(v) the name and description of a broad-based securities market index, selected in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, for the mutual fund, and corresponding performance information for that index, and

(vi) a statement that past performance of the mutual fund is

not necessarily an indication of future performance.

(f) the plan sponsor has, within the past year, informed members if there were any changes in the choice of mutual funds that members could invest in and where there was a change, provided information about what members needed to do to change their investment decision, or make a new investment,

(g) the plan sponsor provides members with investment decision-making tools that the plan sponsor reasonably believes are sufficient to assist them in making an investment decision within the capital accumulation plan,

(h) the plan sponsor must provide the information required by paragraphs 2.1(b), (c), (d) and (g) prior to the member making an investment decision under the capital accumulation plan, and

(i) if the plan sponsor makes investment advice from a registrant available to members, the plan sponsor must provide members with information about how they can contact the registrant.

2.2 The prospectus requirement does not apply to a distribution of a security of a mutual fund in the circumstances set out in section 2.1, if

(a) the conditions in section 2.1 have been complied with, and

(b) the mutual fund complies with Part 2 of National Instrument 81-102 Mutual Funds.

Part 3 -- Filing Requirements

3.1 Before the first time a mutual fund relies on the exemption in section 2.2, the mutual fund must file a notice in the form found in Appendix A in each jurisdiction in which the mutual fund expects to distribute its securities.

2.1.2 Lakeport Brewing Income Fund - s. 1(10)

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – application for an order that the issuer is not a reporting issuer.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

May 14, 2007

Blake, Cassels & Graydon LLP
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON M5L 1AS

Attention: David M. Shaw

Dear Sirs/Mesdames,

Re: Lakeport Brewing Income Fund (the "Applicant") - Application that the Applicant is not a reporting issuer under the securities legislation of Ontario, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia and Newfoundland and Labrador (collectively, the "Jurisdictions")

The Applicant has applied to the local securities regulatory authority or regulator (the "Decision Makers") in each of the Jurisdictions for a decision under the securities legislation (the "Legislation") of the Jurisdictions that the Applicant is not a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that:

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
- no securities of the Applicant are traded on a "marketplace" as defined in National Instrument 21-101 *Marketplace Operation*;
- the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met and order that the Applicant is not a reporting issuer.

"Erez Blumberger"
Manager, Corporate Finance

2.1.3 Montrusco Bolton Investments Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 69 – The Mutual Funds are seeking relief to be deemed to have ceased to be a reporting issuer – all of the clients of the Mutual Funds are eligible to invest pursuant to an exemption from the prospectus and registration exemptions as set out in National Instrument 45-106 – Prospectus and Registration Exemptions. Mutual Funds no longer requires to be a reporting issuer.

Applicable Legislative Provisions

Securities Act, s. 69.

(Translation)

May 1, 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK,
NOVA SCOTIA AND NEWFOUNDLAND
AND LABRADOR
(the "Jurisdictions")

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
MONTRUSCO BOLTON INVESTMENTS INC.
("MBII")

AND

MONTRUSCO BOLTON T-MAX FUND,
MONTRUSCO BOLTON BALANCED + FUND
AND MONTRUSCO BOLTON ENTERPRISE FUND
(the "Mutual Funds" and together with MBII, the "Filers")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "**Decision Maker**") in each of the Jurisdictions has received an application from MBII on its own behalf and on behalf of the Mutual Funds for a decision under the securities legislation (the "**Legislation**") of the Jurisdictions revoking the reporting issuer status of the Mutual Funds or deeming the Mutual Funds to have ceased to be reporting issuers, as applicable (the "**Requested Relief**").

Under the Mutual Reliance Review System ("**MRRS**") for Exemptive Relief Applications:

(a) the Autorité des marchés financiers is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 – *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filers:

1. MBII, a company incorporated under the laws of Canada having its head office in Montreal, is registered with the principal regulator as adviser with an unrestricted practice and mutual fund dealer. MBII is also registered in Ontario as investment counsel, portfolio manager and limited market dealer, in Nova Scotia as investment counsel and portfolio manager, as portfolio manager (securities) in British Columbia, as investment counsel and portfolio manager in Alberta and New Brunswick, as investment counsel (institutional clients) in Saskatchewan and as a broker dealer and investment counsel in Manitoba.

2. MBII is the manager of the Mutual Funds, established under the laws of the Province of Ontario which are offered by simplified prospectus in all the Jurisdictions.

3. The Mutual Funds are reporting issuers or the equivalent in each of the Jurisdictions and are not in default of any of their obligations as reporting issuers or the equivalent under the Legislation.

4. MBII is also the manager and advisor of the Montrusco Bolton Fixed Income Fund, Montrusco Bolton Canadian Equity Fund, Montrusco Bolton U.S. Equity Fund, Montrusco Bolton Canadian Small Capitalization Equity Fund, Montrusco Bolton E.A.F.E. Equity Fund, Montrusco Bolton Global Equity Fund, Montrusco Bolton Balanced Fund, TSX 100 Momentum Fund, Canadian Equity+ Fund, Montrusco Bolton Income Trust Fund, Montrusco Bolton Bond Total Return Fund and the AEQ U.S. Equity Fund (the "**Pooled Funds**").

5. Each of the Pooled Funds is an open-ended mutual fund trust established by a trust agreement between MBII and Desjardins Trust Inc. The Pooled Funds are not reporting issuers under the Legislation.

6. Although the Mutual Funds are distributed in the Jurisdictions by prospectus, the units of the Mutual Funds are only distributed to the clients of MBII, all of which have entered into discretionary management agreements with MBII. Clients cannot directly purchase units of the Mutual Funds or Pooled Funds.

7. The sole reason behind MBII's decision to distribute the Mutual Funds by way of prospectus was to respect investment restrictions contained, at that time, in investment policies of certain of MBII's institutional clients which restricted them to investing exclusively in mutual funds distributed by way of prospectus. Investors that had such restrictions in their investment policies have not been clients of MBII for at least four years.

8. Notwithstanding the investment restrictions contained in the investment policies of certain institutional clients described in paragraph 7 above, MBII would have benefited from an exemption from the prospectus and registration requirements of the Legislation. Therefore, under the Legislation, the investments made pursuant to such prospectus exemption would not have caused the Mutual Funds to become reporting issuers.

9. In addition, none of the clients of MBII who currently hold units of the Mutual Funds have, in their investment policies, investment restrictions which restrict them to investing exclusively in mutual funds distributed by way of prospectus.

10. As adviser in securities of the Mutual Funds and the Pooled Fund, MBII enters into fully managed discretionary account agreements with all its clients.

11. Once mandated, MBII selects, based on the clients' individual investment policies and restrictions, the investments that would meet the client's profile and portfolio requirements. This selection for the client's account may take the form of various investment vehicles including segregated accounts, pooled funds which may include units of the Pooled Funds or mutual funds which may include units of the Mutual Funds.

12. Therefore, in all of the Jurisdictions, except Ontario, the distribution has been made to MBII, an "accredited investor" according to the definition of "accredited investor" found at section 1.1(q) of National Instrument 45-106 – *Prospectus and Registration Exemptions* ("**NI 45-106**") since MBII has entered into fully managed discretionary account agreements with all its clients. At its discretion, MBII decides if the portfolio of its clients will include units of the Mutual Funds and in no case, does the discretionary management agreement signed between the parties require that the investment of a client's assets be invested in

mutual funds. In addition certain clients also possess one or more of the characteristics listed in sub-paragraphs a, b or c of paragraph 13.

13. In Ontario, in order to benefit from the prospectus and registration exemptions set out in NI 45-106, clients of MBII have one or more of the following characteristics:

    (a) they have made a minimum investment of $150,000 in a Mutual Fund;

    (b) alone or with a spouse beneficially own financial assets having an aggregate realizable value which exceeds $1,000,000; or

    (c) they are a registered charity under the Income Tax Act (Canada).

14. As mutual fund trusts, the Mutual Funds will comply with the provisions in National Instrument 81-106 - Investment Fund Continuous Disclosure applicable to non-reporting issuers.

Decision

Each of the Decision Makers is satisfied that the tests contained in the Legislation that provide the Decision Makers with the jurisdiction to make the decision have been met.

The decision of the Decision Makers is that the Requested Relief is granted.

Jean St-Gelais
President and Chief Executive Officer

2.1.4 Libertas Partners LLC - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees

Headnote

Applicant seeking registration as an international dealer is exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and activity fee contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 Fees is waived in respect of this discretionary relief, subject to certain conditions.

Rules Cited

Multilateral Instrument 31-102 National Registration Database (2003) 26 OSCB 926, s. 6.1.
Ontario Securities Commission Rule 13-502 Fees (2003) 26 OSCB 867, ss. 4.1, 6.1.

May 17, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED
(the Act)

AND

IN THE MATTER OF
LIBERTAS PARTNERS LLC

DECISION
(Subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and Section 6.1 of Ontario Securities Commission Rule 13-502 Fees)

UPON the Director having received the application of Libertas Partners LLC (the Applicant) for an order pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* (MI 31-102) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the activity fee requirement contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 *Fees* (Rule 13-502) in respect of this discretionary relief;

AND UPON considering the application and the recommendation of the staff of the Ontario Securities Commission (the Commission);

AND UPON the Applicant having represented to the Director as follows:

1. The Applicant is organized as a limited liability company under the laws of the State of Delaware in the United States. The Applicant is not a reporting issuer in any province or territory of Canada. The Applicant is seeking registration under the Act as an international dealer. The head office of the Applicant is located in Greenwich, Connecticut.

2. MI 31-102 requires that all registrants in Canada enrol with CDS Inc. (CDS) and use the national registration database (NRD) to complete certain registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (the electronic funds transfer requirement or EFT Requirement).

3. The Applicant anticipates encountering difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement.

4. The Applicant confirms that it is not registered, and does not presently intend to register in another category in Ontario to which the EFT Requirement applies.

5. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers and international advisers (or applicants in equivalent categories of registration) for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the Application Fee).

6. For Ontario registrants, the requirement for payment of the Application Fee is set out in section 4.1 of Rule 13-502.

AND UPON the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS THE DECISION of the Director, pursuant to subsection 6.1(1) of MI 31-102 that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees and makes such payment within ten (10) business days of the date of the NRD filing or payment due date;

B. pays its participation fee under the Act to the Commission by cheque, draft, money order or other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

D. is not registered in any other Canadian jurisdiction in another category to which the EFT Requirement applies;

PROVIDED THAT the Applicant submits a similar application in any other Canadian jurisdiction where it becomes registered as an international dealer or international adviser or in an equivalent registration category;

AND IT IS THE FURTHER DECISION of the Director, pursuant to section 6.1 of Rule 13-502, that the Application Fee will be waived in respect of the application for this Decision.

"David M. Gilkes"

2.1.5 Los Angeles Capital Management and Equity Research, Inc. - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees

Headnote

Applicant seeking registration as an international adviser is exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and activity fee contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 Fees is waived in respect of this discretionary relief, subject to certain conditions.

Rules Cited

Multilateral Instrument 31-102 National Registration Database (2003) 26 OSCB 926, s. 6.1.
Ontario Securities Commission Rule 13-502 Fees (2003) 26 OSCB 867, ss. 4.1, 6.1.

May 17, 2007

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED
(the Act)

AND

IN THE MATTER OF
LOS ANGELES CAPITAL MANAGEMENT AND EQUITY RESEARCH, INC.

DECISION
(Subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and Section 6.1 of Ontario Securities Commission Rule 13-502 Fees)

UPON the Director having received the application of Los Angeles Capital Management and Equity Research, Inc. (the Applicant) for an order pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* (MI 31-102) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the activity fee requirement contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 *Fees* (Rule 13-502) in respect of this discretionary relief;

AND UPON considering the application and the recommendation of the staff of the Ontario Securities Commission (the Commission);

AND UPON the Applicant having represented to the Director as follows:

1. The Applicant is formed under the laws of the State of California in the United States. The Applicant is not a reporting issuer. The Applicant is seeking registration under the Securities Act (Ontario) as an international adviser in the categories of investment counsel and portfolio manager. The head office of the Applicant is in Los Angeles, California.

2. MI 31-102 requires that all registrants in Canada enrol with CDS Inc. (CDS) and use the national registration database (NRD) to complete certain registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (the electronic funds transfer requirement or EFT Requirement).

3. The Applicant anticipates encountering difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement.

4. The Applicant confirms that it is not registered, and does not presently intend to register in another category in Ontario to which the EFT Requirement applies.

5. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers and international advisers (or applicants in equivalent categories of registration) for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the Application Fee).

6. For Ontario registrants, the requirement for payment of the Application Fee is set out in section 4.1 of Rule 13-502.

AND UPON the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS THE DECISION of the Director, pursuant to subsection 6.1(1) of MI 31-102 that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees and makes such payment within ten (10) business days of the date of the NRD filing or payment due date;

B. pays its participation fee under the Act to the Commission by cheque, draft, money order or other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

D. is not registered in any other Canadian jurisdiction in another category to which the EFT Requirement applies;

PROVIDED THAT the Applicant submits a similar application in any other Canadian jurisdiction where it becomes registered as an international dealer or international adviser or in an equivalent registration category;

AND IT IS THE FURTHER DECISION of the Director, pursuant to section 6.1 of Rule 13-502, that the Application Fee will be waived in respect of the application for this Decision.

"David M. Gilkes"

2.1.6 Franklin Templeton Investments Corp. and Bissett Income Trust Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – NI 81-102 Mutual Funds, clause 5.5(1)(b) – approval for the merger of the Terminating Fund into the Continuing Fund – Merger does not meet the criteria for pre-approval outlined in s. 5.6 of NI 81-102 because fundamental investment objectives and fee structures may not be reasonably be considered similar - unitholders of terminating fund received timely and adequate disclosure regarding the merger- merger is not detrimental to unitholders or the public interest.

Rules Cited

National Instrument 81-102 Mutual Funds, ss. 5.5(1)(b), 5.6, 5.7.

May 14, 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR, YUKON TERRITORY, NORTHWEST TERRITORY AND NUNAVUT TERRITORY
(THE "JURISDICTIONS")

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
FRANKLIN TEMPLETON INVESTMENTS CORP. ("FTIC")

AND

IN THE MATTER OF
BISSETT INCOME TRUST FUND ("INCOME TRUST FUND")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application (the "Application") from FTIC and Income Trust Fund (the "Filers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") for approval of the merger (the "Merger") of Income Trust Fund into Bissett Income Fund ("Income Fund") under s. 5.5(1)(b) of National Instrument 81-102 Mutual Funds ("NI

81-102") (the "Requested Approval"). Income Trust Fund and Income Fund are collectively referred to as the "Funds" and individually as a "Fund".

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the Decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filers:

1. FTIC is a corporation governed by the laws of Ontario and is registered as an advisor in each of Ontario, British Columbia, Alberta, Manitoba, Quebec, New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island, Saskatchewan and Yukon and as a mutual fund dealer in each of Ontario and Alberta.

2. FTIC is the manager and trustee of the Funds, each of which is an open-ended mutual fund trust governed under the laws of Ontario.

3. Series A, F and O units of Income Trust Fund and Series A, F, I and O units of Income Fund are offered for sale in all provinces and territories of Canada under a simplified prospectus and annual information form dated June 12, 2006, as amended January 29, 2007 and March 21, 2007.

4. The Funds are reporting issuers under the applicable securities legislation of each province and territory of Canada and are not on the list of defaulting reporting issuers maintained under the applicable securities legislation of the Decision Makers. The Funds follow the standard investment restrictions and practices established by the Decision Makers.

5. The net asset value for each series of units of the Funds is calculated on a daily basis on each day the Toronto Stock Exchange is open for trading.

6. Unitholders of Income Trust Fund will be asked to approve the Merger at a special meeting scheduled to be held on June 1, 2007. Implicit in the approval of the Merger is the adoption by unitholders of Income Trust Fund of the investment objectives, strategies and fees of Income Fund. FTIC will pay the costs of the Merger, including legal, proxy solicitation, printing, mailing and regulatory fees.

7. If the approval of investors of Income Trust Fund is not received at the special meeting, then the Merger will not proceed.

8. Investors of Income Trust Fund will continue to have the right to redeem units of the Fund for cash at any time up to the close of business on the business day immediately preceding the effective date of the Merger.

9. The Merger will be carried out as a qualifying exchange within the meaning of Section 132.2 of the Income Tax Act (Canada).

10. No sales charges will be payable by either Fund in connection with the acquisition by Income Fund of the investment portfolio of Income Trust Fund.

11. The portfolio and other assets of Income Trust Fund to be acquired by Income Fund in connection with the Merger are acceptable to the portfolio adviser of Income Fund and are consistent with the investment objectives of Income Fund.

12. The Funds have the same valuation procedures and, except as noted, meet all other conditions necessary for mutual funds to complete a merger without regulatory approval as enumerated under subsection 5.6(1) of NI 81-102.

13. A reasonable person may consider the fundamental investment objectives and fee structure of Income Trust Fund to be less than substantially similar to those of Income Fund.

14. If the Merger is approved, the annual management fee rates of for Series A units of Income Fund will be lowered so that the management fees for Series A units of Income Fund will be the same as those for Income Trust Fund.

15. Although Series F unitholders of Income Trust Fund will acquire Series F units of Income Fund that have a management fee that is higher than the management fee currently charged to Series F units of Income Trust Fund, Series F units of Income Fund only pay brokerage commissions and taxes. As a result, although the management fees differ, the overall management expense ratio of both the Series F units of Income Trust Fund and Income Fund are substantially similar.

16. Following the Merger, Income Fund will continue as a publicly offered open-ended mutual fund.

17. A material change report, press release and amendments to the simplified prospectus and

annual information form of Income Trust Fund in respect of the Merger have been filed.

18. A notice of meeting, management information circular and proxy in connection with the Merger, as well as a tailored document consisting of the Part A and the Part B for Income Fund as set out in the current simplified prospectus of the Funds will be filed on SEDAR and mailed to Income Trust Fund unitholders of record as at April 23, 2007, on approximately May 11, 2007.

19. Subject to the required approvals, the Merger will be implemented on or about the close of business on June 8, 2007.

20. The Filers submit that the Merger will result in the following benefits:

    (a) Unitholders of Income Trust Fund will enjoy greater investment flexibility and diversification;

    (b) Unitholders of Income Trust Fund will become unitholders of a fund with greater long term viability; and

    (c) Unitholders of the Income Trust Fund will enjoy increased economies of scale as part of a larger Income Fund.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Approval is hereby granted.

"Leslie Byberg"
Assistant Manager, Investment Funds Branch
Ontario Securities Commission

2.1.7 Franklin Templeton Investments Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – certain mutual funds granted exemptions from National Instrument 81-102 Mutual Funds to engage in short selling of securities up to 10% of net assets, subject to certain conditions and requirements- future oriented relief granted as well.

Rules Cited

National Instrument 81-102 Mutual Funds, ss. 2.6(a) and (c), 6.1(1), 19.1.

May 14 , 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR, NORTHWEST TERRITORIES, YUKON AND NUNAVUT
(THE JURISDICTIONS)

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
FRANKLIN TEMPLETON INVESTMENTS CORP.
(the Filer)
AND
THE FUNDS LISTED IN APPENDIX "A"
(the Existing Funds)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer, on behalf of the Existing Funds and each mutual fund hereinafter created and managed by the Filer (the Future Funds and together with the Existing Funds, the Funds), for a decision under the securities legislation of the Jurisdictions (the Legislation) exempting the Funds from the following requirements of the Legislation, subject to certain terms and conditions:

(a) the requirement contained in subsection 2.6(a) of National Instrument 81-102 Mutual Funds (NI 81-102) prohibiting a mutual fund from providing a security interest over a mutual fund's assets;

(b) the requirement contained in subsection 2.6(c) of NI 81-102 prohibiting a mutual fund from selling securities short; and

(c) the requirement contained in subsection 6.1(1) of NI 81-102 prohibiting a mutual fund from depositing any part of a mutual fund's assets with an entity other than the mutual fund's custodian.

(paragraphs (a), (b) and (c) together shall be referred to as the Requested Relief).

Under the Mutual Reliance Relief for Exemption Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. Templeton Growth Fund, Ltd. is an open-end mutual fund corporation established under the laws of Canada. Each of the other Funds are or will be an open-end mutual fund trust or a class of shares of a mutual fund corporation established either under the laws of Alberta or Ontario.

2. The Filer is the manager of the Funds. Each Fund is currently or will be a reporting issuer in all of the provinces and territories of Canada.

3. The investment practices of each Fund comply or will comply in all respects with the requirements of Part 2 of NI 81-102, except to the extent that the Funds have received permission from the Decision Makers to deviate therefrom.

4. Any short sales made by a Fund will be subject to compliance with the investment objectives of such Fund.

5. In order to effect a short sale, a Fund will borrow securities from a borrowing agent (the Borrowing Agent), which Borrowing Agent may be acting either as principal for its own account or as agent for other lenders of securities.

6. Each Fund will implement the following controls when conducting a short sale:

(a) securities will be sold short for cash, with the Fund assuming the obligation to return to the Borrowing Agent the securities borrowed to effect the short sale;

(b) the short sale will be effected through market facilities through which the securities sold short are normally bought and sold;

(c) the Fund will receive cash for the securities sold short within normal trading settlement periods for the market in which the short sale is effected;

(d) the securities sold short will be liquid securities that:

(i) are listed and posted for trading on a stock exchange, and

(A) the issuer of the security has a market capitalization of not less than CDN$300 million, or the equivalent thereof, at the time the short sale is effected; or

(B) the investment advisor has pre-arranged to borrow for the purposes of such sale;

or

(ii) are bonds, debentures or other evidences of indebtedness of or guaranteed by the Government of Canada or any province or territory of Canada or the Government of the United States of America;

(e) at the time securities of a particular issue are sold short:

(i) the aggregate market value of all securities of that issuer sold short by the Fund will not exceed 2% of the total net assets of the Fund; and

(ii) the Fund will place a "stop-loss" order with a dealer to immediately purchase for the Fund an equal number of the same securities if the trading price of the securities exceeds 115% (or such lesser percentage as the Filer may

determine) of the price at which the securities were sold short;

(f) the Fund will deposit Fund assets with the Borrowing Agent as security in connection with the short sale transaction;

(g) the Fund will keep proper books and records of all short sales and Fund assets deposited with Borrowing Agents as security;

(h) the Fund will develop written policies and procedures for the conduct of short sales prior to conducting any short sales; and

(i) the Fund will provide disclosure in its simplified prospectus and annual information form of the short selling strategies and the details of this exemptive relief prior to implementing the short selling strategy.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that:

1. the aggregate market value of all securities sold short by the Fund does not exceed 10% of the total net assets of the Fund on a daily marked-to-market basis;

2. the Fund holds "cash cover" (as defined in NI 81-102) in an amount, including the Fund assets deposited with the Borrowing Agents as security in connection with short sale transactions, that is at least 150% of the aggregate market value of all securities sold short by the Fund on a daily marked-to-market basis;

3. no proceeds from short sales by the Fund are used by the Fund to purchase long positions in securities other than cash cover;

4. the Fund maintains appropriate internal controls regarding its short sales including written policies and procedures, risk management controls and proper books and records;

5. any short sales made by a Fund will be subject to compliance with the investment objectives of the Fund;

6. the Requested Relief will not apply to a Fund that is classified as a money market fund or a short-term income fund;

7. for short sale transactions in Canada, every dealer that holds Fund assets as a security in connection with short sale transactions by the Fund shall be a registered dealer in Canada and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund;

8. for short sale transactions outside Canada, every dealer that holds Fund assets as security in connection with short sale transactions by the Fund shall:

   (a) be a member of a stock exchange and, as a result, be subject to a regulatory audit; and

   (b) have a net worth in excess of the equivalent of $50 million determined from its most recent audited financial statements that have been made public;

9. except where the Borrowing Agent is the Fund's custodian, when the Fund deposits Fund assets with a Borrowing Agent as security in connection with a short sale transaction, the amount of Fund assets deposited with the Borrowing Agent does not, when aggregated with the amount of Fund assets already held by the Borrowing Agent as security for outstanding short sale transactions of the Fund, exceed 10% of the total net assets of the Fund, taken at market value as at the time of the deposit;

10. the security interest provided by a Fund over any of its assets that is required to enable the Fund to effect short sale transactions is made in accordance with industry practice for that type of transaction and related only to obligations arising under such short sale transactions;

11. prior to conducting any short sales, the Fund discloses in its simplified prospectus or an amendment thereto a description of: (a) short selling, (b) how the Fund intends to engage in short selling, (c) the risks associated with short selling, and (d) in the Investment Strategy section of the simplified prospectus, the Fund's strategy and this exemptive relief;

12. prior to conducting and short sales, the Fund discloses in its annual information form or an amendment thereto the following information:

    i. that there are written policies and procedures in place that set out the objectives and goals for short selling and the risk management procedures applicable to short selling;

    ii. who is responsible for setting and reviewing the policies and procedures referred to in the preceding paragraph,

how often the policies and procedures are reviewed, and the extent and nature of the involvement of the board of directors or trustee in the risk management process;

iii. the trading limits or other controls on short selling in place and who is responsible for authorizing the trading and placing limits or other controls on the trading;

iv. whether there are individuals or groups that monitor the risks independent of those who trade; and

v. whether risk measurement procedures or simulations are used to test the portfolio under stress conditions;

13. prior to conducting any short sales, each Fund has provided to its existing securityholders not less than 60 days' written notice that discloses the Fund's intent to begin short selling transactions and the disclosure required in the Fund's simplified prospectus and annual information form as outlined in paragraphs 11 and 12 above or the Fund's initial simplified prospectus and each renewal thereof has included such disclosure;

14. this relief shall terminate upon the coming into force of any legislation or rule of the Decision Makers dealing with matters referred to in subsections 2.6(a), 2.6(c) and 6.1(1) of NI 81-102.

"Rhonda Goldberg"
Assistant Manager, Investment Funds Branch

APPENDIX 'A'

FUND NAMES BY FAMILY OF FUNDS

BISSETT FUNDS
Bissett Canadian Equity Fund
Bissett Small Cap Fund
Bissett Large Cap Fund
Bissett Microcap Fund
Bissett Multinational Growth Fund
Bissett International Equity Fund
Bissett Dividend Income Fund
Bissett Bond Fund
Bissett Corporate Bond Fund
Bissett Income Fund
Bissett Income Trust and Dividend Fund
Bissett Canadian Short Term Bond Fund
Bissett All Canadian Focus Fund
Bissett Canadian Core Plus Bond Fund

FRANKLIN FUNDS
Franklin U.S. Small-Mid Cap Growth Fund
Franklin Flex Cap Growth Corporate Class
Franklin World Health Sciences and Biotech Fund
Franklin Technology Corporate Class
Franklin World Growth Corporate Class
Franklin Japan Corporate Class
Franklin High Income Fund
Franklin Strategic Income Fund

MUTUAL SERIES FUNDS
Mutual Beacon Fund
Mutual Discovery Fund

TEMPLETON FUNDS
Templeton Growth Fund, Ltd.
Templeton International Stock Fund
Templeton Emerging Markets Fund
Templeton Global Smaller Companies Fund
Templeton Global Balanced Fund
Templeton Global Bond Fund
Templeton Canadian Stock Fund
Templeton Canadian Asset Allocation Fund
Templeton Balanced Fund
Templeton Global Income Fund
Templeton European Corporate Class
Templeton BRIC Corporate Class (formerly: Templeton China Tax Class)

FRANKLIN TEMPLETON FUNDS

Franklin Templeton Canadian Small Cap Fund
Franklin Templeton U.S. Rising Dividends Fund
Franklin Templeton Global Aggregate Bond Fund

2.2 Orders

2.2.1 Land Banc of Canada Inc. et al. - ss. 126, 127

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
LAND BANC OF CANADA INC.,
LBC MIDLAND I CORPORATION,
FRESNO SECURITIES INC.,
RICHARD JASON DOLAN, MARCO LORENTI
AND STEPHEN ZEFF FREEDMAN

ORDER
SECTION 126 AND 127

WHEREAS on the 23rd day of April, 2007, the Ontario Securities Commission (the "Commission") ordered, pursuant to clause 2 of subsection 127(1) and subsection 127(5) of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act") that all trading by Land Banc of Canada ("LBC"), LBC Midland I Corporation ("Midland"), Fresno Securities Inc. ("Fresno"), Richard Jason Dolan ("Dolan") , Marco Lorenti ("Lorenti") and Stephen Zeff Freedman ("Freedman"), (the "Respondents"), in any securities of Midland or any other corporation controlled by LBC, Dolan or Lorenti shall cease (the "Temporary Order");

AND WHEREAS the Commission further ordered as part of the Temporary Order that pursuant to clause 3 of subsection 127(1) and subsection 127(5) of the Act that any exemptions contained in Ontario securities law do not apply to the Respondents;

AND WHEREAS on the 23rd day of April, 2007, the Commission issued a Direction under s.126(1) of the Act to the Bank of Montreal branch at 2851 John St., in Markham, Ontario (the "BMO Markham Branch") to retain all funds, securities or property on deposit in the name of or otherwise under control of Midland at the BMO Markham Branch (the "Direction");

AND WHEREAS on the 30th of April, 2007 the Direction was continued on consent at the Superior Court of Justice (the "Court") until further notice of the Court but without prejudice to Midland to apply to the Commission to vary the Direction under s.126(7);

AND WHEREAS on May 1, 2007, the Commission issued a Notice of Hearing and Statement of Allegations in this matter;

AND WHEREAS on May 8, 2007, the Commission continued the Temporary Order against LBC, Midland, Dolan and Lorenti with certain amendments respecting Dolan and Lorenti;

AND WHEREAS upon submissions from counsel for Staff of the Commission and from counsel for Dolan and Lorenti;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT

1. the Temporary Order is continued until June 29, 2007 against LBC, Midland, Dolan and Lorenti with the following amendments respecting Dolan and Lorenti, until further order of the Commission;

2. Dolan shall be permitted to trade in securities listed on a recognized exchange, including mutual fund units, only in his own existing account(s) and through a dealer registered with the Commission;

3. Lorenti shall be permitted to trade in securities listed on a recognized exchange, including mutual fund units, only in his own existing account(s) through a dealer registered with the Commission;

4. the Direction is continued until June 29, 2007 subject to the payment of expenses related to Midland as set out in Schedule A or as subsequently agreed to by Staff in writing; and

5. this Order shall not effect the right of LBC, Midland, Dolan and Lorenti to apply to the Commission to clarify or revoke the Temporary Order or Direction prior to June 29, 2007 upon three days notice to Staff of the Commission.

Dated at Toronto this 17th day of May, 2007

"Patrick LeSage"

"Suresh Thakrar"

**IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED**

AND

**IN THE MATTER OF
LAND BANC OF CANADA INC.,
LBC MIDLAND I CORPORATION,
FRESNO SECURITIES INC.,
RICHARD JASON DOLAN, MARCO LORENTI
AND STEPHEN ZEFF FREEDMAN**

**ORDER
SECTION 126 and 127**

SCHEDULE A

WHEREAS Staff has been informed by Dolan and Lorenti that the following payments are necessary for the operation of Midland;

AND WHEREAS Staff has been informed by Dolan and Lorenti that they will receive no part of the following payments in compensation for their activities in the ongoing business operation of Midland;

Staff consents to the payment of the following expenses from the account of Midland at the BMO Markham Branch:

1. Payment of $5,000 to Land Banc of Canada Inc. for reimbursement of a payment made to Umesh Chandrahalli;

2. Payment of $10,000 to Land Banc of Canada Inc. for business expenses of Midland.

3. Payment of $7,500 to Dolan and $7,500 to Lorenti for legal fees incurred in relation to the Temporary Order and the Direction;

4. Payment of $12,138.06 to Daniela Iamundo for employment services rendered on behalf of Midland;

5. Payment of $40,000 to Ittihad Securities, a limited marker dealer registered with the Commission, for ongoing work on behalf of Midland; and

6. Payment of $39,805.51 to Citigroup for expenses incurred on behalf of Midland.

2.2.2 Zoran Popovic and DXStorm.Com Inc. - ss. 127, 127.1

**IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED**

AND

**IN THE MATTER OF
ZORAN POPOVIC AND
DXSTORM.COM INC.**

**ORDER
(Sections 127 and 127.1)**

WHEREAS on March 31, 2005, the Ontario Securities Commission issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") in respect of Zoran Popovic ("Popovic") and DXStorm.Com Inc. ("DXStorm");

AND WHEREAS Popovic and DXStorm entered into a Settlement Agreement with Staff of the Commission dated May 5, 2005 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement, Notice of Hearing and Statement of Allegations of Staff of the Commission, and the written Submissions and Brief of Authorities of Staff of the Commission, and upon hearing submissions from counsel for Popovic and DXStorm and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

(a) pursuant to section 127(1) clause 6 of the Act, Popovic is hereby reprimanded;

(b) pursuant to section 127.1 of the Act Popovic pay $5,500.00 towards the costs of the investigation and this proceeding; and

(c) pursuant to section 127(1) clause 4 of the Act, DXStorm implement the Code of Conduct in the attached schedule.

Dated at Toronto this 10th day of May, 2005

"Wendell S. Wigle"

"Suresh Thakrar"

"Carol S. Perry"

2.2.3 AiT Advanced Information Technologies Corporation et al.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
AiT ADVANCED INFORMATION TECHNOLOGIES CORPORATION, BERNARD JUDE ASHE AND DEBORAH WEINSTEIN

ORDER

WHEREAS on February 12, 2007, the Ontario Securities Commission issued a Notice of Hearing pursuant to s. 127 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended, with respect to AiT Advanced Information Technologies Corporation (now 3M Canada Company), Bernard Jude Ashe and Deborah Weinstein (the "Respondents");

AND WHEREAS on May 9, 2007, the Commission heard a Motion to Dismiss brought by the Respondent Weinstein;

AND WHEREAS the Commission considers it to be in the public interest to make this Order;

IT IS ORDERED THAT the Motion to Dismiss be adjourned until Staff has called its evidence at the hearing, subject to the discretion of the Applicant and subject to the discretion of the panel at the hearing.

DATED at Toronto this 9th day of May, 2007.

"Wendell S. Wigle"

"Harold P. Hands"

"Margot C. Howard"

2.2.4 Eugene N. Melnyk et al. - ss. 127, 127.1

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990 c. S-5, AS AMENDED

AND

IN THE MATTER OF
EUGENE N. MELNYK, ROGER D. ROWAN,
WATT CARMICHAEL INC., HARRY J. CARMICHAEL
AND G. MICHAEL McKENNEY

ORDER
(Sections 127 and 127.1)

WHEREAS on July 28, 2006 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") and Statement of Allegations (the "Statement of Allegations") pursuant to sections 127 and 127.1 of the *Securities Act* (the "Act") in respect of the parties listed above;

AND WHEREAS Eugene N. Melnyk ("Melnyk") has entered into a settlement agreement with Staff of the Commission dated May 16, 2007 in relation to the matters set out in the Statement of Allegations (the "Settlement Agreement");

AND WHEREAS Melnyk has provided the Commission with a written undertaking, attached hereto as Schedule "1";

UPON reviewing the Notice of Hearing, Statement of Allegations and Settlement Agreement, and upon hearing submissions from counsel for Melnyk and for Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS HEREBY ORDERED that:

1. The Settlement Agreement, a copy of which is attached to this Order as Schedule "2", is approved.

2. Pursuant to clause 9 of subsection 127(1) of the Act, Melnyk will pay an administrative penalty to the Commission in the amount of $750,000.00. This payment will be allocated by the Commission to or for the benefit of third parties pursuant to section 3.4(2)(b) of the Act.

3. Pursuant to clause 8 of subsection 127(1) of the Act, Melnyk is prohibited from acting as a director of Biovail for a period of one year beginning June 30, 2007.

4. Pursuant to clause 6 of subsection 127(1) of the Act, Melnyk is reprimanded.

5. Pursuant to section 127.1 of the Act, Melnyk will make a payment to the Commission in the amount of $250,000.00 representing a portion of the costs of the Commission's investigation in relation to this proceeding.

DATED at Toronto this 18th day of May, 2007

"James E. A. Turner"

"C. S. Perry"

"Margot Howard"

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990 c. S-5, AS AMENDED

AND

IN THE MATTER OF
EUGENE N. MELNYK, ROGER D. ROWAN,
WATT CARMICHAEL INC., HARRY J. CARMICHAEL
AND G. MICHAEL McKENNEY

SETTLEMENT AGREEMENT
OF EUGENE N. MELNYK

I. INTRODUCTION

1. By Notice of Hearing and Statement of Allegations dated July 28, 2006 (the "Statement of Allegations"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing in this matter to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), it would be in the public interest for the Commission to make certain orders as specified therein.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff recommend settlement of this proceeding as against the respondent Eugene N. Melnyk ("Melnyk") in accordance with the terms and conditions set out below. Melnyk agrees to the settlement on the basis of the facts and conclusions set out in Part IV of this agreement and consents to the making of an order against him in the form attached as Schedule "A".

III. ACKNOWLEDGEMENT

3. Melnyk agrees with the facts and conclusions set out in Part IV of this agreement solely for the purpose of this proceeding. Melnyk expressly denies that the terms of this agreement are intended to be an admission of liability, misconduct or wrongdoing by him in any other context to any person or company or other entity.

IV. AGREED FACTS AND CONCLUSIONS

4. Biovail Corporation ("Biovail") is a reporting issuer in the province of Ontario. The common shares of Biovail are listed and posted for trading on the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange.

5. Melnyk is the Chairman of the Board of Directors of Biovail. From December 2001 to October 2004, Melnyk was Chairman and Chief Executive Officer of Biovail. Melnyk became Executive Chairman of the Board of Biovail in November of 2004 and relinquished that title on June 27, 2006. He has been a Director of Biovail since March 1994. Melnyk is, and was at all material times, an insider of Biovail. On May 16, 2007, Melnyk announced that he was retiring from the Board of Biovail effective June 30, 2007.

6. Melnyk is a Canadian citizen. He has resided in Barbados since 1991.

7. Watt Carmichael Inc. ("Watt Carmichael") is registered as a broker and investment dealer under the Act, and is a participating organization of the TSX and a member of the Investment Dealers Association of Canada (the "IDA").

8. Roger D. Rowan ("Rowan") is, and was at all material times, the President and Chief Operating Officer of Watt Carmichael. Rowan was a Director of Biovail from 1997 until his resignation in 2005. Rowan also served as a member of the Biovail audit committee during his tenure as a Director of Biovail. Rowan is, and was at all material times, the registered representative at Watt Carmichael with responsibility for trading in certain accounts, described below as the Conset, Congor and Southridge Accounts.

The Cayman Trusts

9. Melnyk represents the following:

(a) in 1991, he settled a trust in the Cayman Islands named the Evergreen Trust;

(b) RHB Trust Co. Ltd., an institutional trustee in the Cayman Islands, was the trustee of the Evergreen Trust;

(c) The beneficiaries of the Evergreen Trust included certain members of Melnyk's family, but did not include Melnyk;

(d) Shares of Trimel Corporation owned by Melnyk were transferred to the Evergreen Trust between 1991 and 1995; and

(e) Melnyk filed insider reports disclosing dispositions of the shares that were transferred to the Evergreen Trust. Insider reports do not disclose the recipients of shares that have been disposed of and the Evergreen Trust was established more than 10 years before MI 55-103, discussed below, came into force in 2004. There was, in the circumstances, no disclosure that shares had been transferred from Melnyk to the Evergreen Trust.

Trimel Corporation is a predecessor to Biovail, and the shares of Trimel ultimately became shares of Biovail.

10. In 1996, Melnyk established the following trusts under the laws of the Cayman Islands: the Conset Trust, the Congor Trust, the Southridge Trust, and the Archer Trust (collectively referred to as the "Trusts"). Melnyk was the settlor of the Trusts, and Melnyk was also listed as a beneficiary in the Deeds of Settlement for the Trusts. Other beneficiaries of the Trusts included certain of Melnyk's family members (including his wife and children) and certain of his friends. The trustees for each of the Trusts are institutional trust administrators located in the Cayman Islands (the "Trustees"). The Trustees include Barclays Private Bank & Trust, Coutts & Co. and the R & H Trust Co. Ltd.

11. The assets of the Trusts were held by investment companies and consisted primarily of shares of Biovail, as well as nominal amounts of shares of other publicly traded companies. The investment companies are: Conset Investments Limited ("Conset"), Congor Investments Limited ("Congor"), Southridge Management Limited ("Southridge") and Archer Investments Limited ("Archer") (collectively, the "Investment Companies"). The Investment Companies were incorporated under the laws of the Cayman Islands.

12. In 1996, Melnyk requested that the trustees of the Evergreen Trust transfer approximately 4,900,000 shares of Biovail from the Evergreen Trust to the Investment Companies. The trustees complied with this request and transferred the Biovail shares. These shares represented approximately 19% of the outstanding shares of Biovail at that time.

Canadian and U.S. Accounts

13. In 1996, at Melnyk's suggestion, trading accounts for securities owned by the Trusts were opened at Watt Carmichael for Congor (the "Congor Account"), Conset (the "Conset Account"), Southridge (the "Southridge Account") and Archer (the "Archer Account"). The contents of the Archer Account were later transferred to an account held at BMO Nesbit Burns (the "BMO Archer Account"). The Congor, Conset and Southridge Accounts at Watt Carmichael are referred to collectively as the "Watt Carmichael Accounts".

14. Rowan is the registered representative for the Congor, Conset and Southridge Accounts. At all material times, Rowan exercised discretionary trading authority over the Congor and Conset Accounts pursuant to written authorizations provided by Congor and Conset.

15. In 1996, at Melnyk's suggestion, U.S. trading accounts for securities owned by the Trusts were opened in 1996 with Sands Brothers. & Co. Ltd. for Congor, and in 1997 with Monness Crespi, Hardt. & Co. Inc. for Southridge. In 2002, at Melnyk's suggestion, a U.S. trading account was opened with Lehman Brothers Inc. for Archer.

16. The Watt Carmichael Accounts, the BMO Archer Account, and the U.S. trading accounts are referred to collectively as the "Accounts".

Trading in Biovail Securities held in Canadian and U.S. Accounts

17. During 2002, the following trading in Biovail securities (or derivatives in respect of Biovail securities) occurred in the Accounts:

(a) acquisitions in excess of 4,800,000 Biovail common shares at a cost of approximately US$ 170,000,000 and dispositions in excess of 4,800,000 Biovail common shares for proceeds of approximately US$ 160,000,000 in the Conset Account at Watt Carmichael;

(b) acquisitions of 9,000 Biovail call options (in respect of common shares of Biovail) at a cost of approximately US$ 4,000,000 in the Conset Account at Watt Carmichael;

(c) acquisitions in excess of 1,700,000 Biovail common shares at a cost of approximately US$ 70,000,000 and dispositions of 1,500,000 Biovail common shares for proceeds of approximately US$ 60,000,000 in the Congor Account at Watt Carmichael;

(d) acquisitions in excess of 600,000 Biovail common shares at a cost of approximately US$ 25,000,000 and dispositions in excess of 700,000 Biovail common shares for proceeds of approximately US$ 30,000,000 in the Southridge Account at Watt Carmichael;

(e) acquisitions in excess of 3,500 Biovail call options (in respect of common shares of Biovail) at a cost of approximately US$ 2,000,000 in the Southridge Account at Watt Carmichael;

(f) acquisitions in excess of 640,000 Biovail common shares at a cost of approximately US$ 20,000,000 and dispositions in excess of 450,000 Biovail common shares for proceeds of approximately US$ 20,000,000 in the Congor Account at Sands Brothers; and

(g) dispositions of 100,000 Biovail common shares for proceeds of approximately US$ 5,000,000 in the Southridge Account at Monness Crespi.

18. During 2003, the following trading in Biovail securities (and derivatives in respect of Biovail securities) occurred in the Accounts:

(a) acquisitions in excess of 7,800,000 Biovail common shares at a cost of approximately US$ 265,000,000 and dispositions in excess of 8,800,000 Biovail common shares for proceeds of approximately US$ 290,000,000 in the Conset Account at Watt Carmichael;

(b) acquisitions in excess of 12,000 Biovail call options (in respect of Biovail common shares) at a cost of approximately US$ 4,000,000 in the Conset Account at Watt Carmichael;

(c) the exercise of Biovail call options to purchase 900,000 Biovail common shares at a cost of approximately US$ 25,000,000 in the Conset Account at Watt Carmichael;

(d) acquisitions in excess of 25,000 Biovail common shares at a cost of approximately US$ 1,000,000 and dispositions in excess of 650,000 Biovail common shares for proceeds of approximately US$ 25,000,000 in the Congor Account at Watt Carmichael

(e) acquisitions in excess of 800,000 Biovail common shares at a cost of approximately US$ 25,000,000 and dispositions in excess of 800,000 Biovail common shares for proceeds of approximately US$ 25,000,000 in the Southridge Account at Watt Carmichael;

(f) dispositions in excess of 1,300,000 Biovail common shares for proceeds of approximately US$ 30,000,000 in the BMO Archer Account;

(g) acquisitions of 300,000 Biovail common shares at a cost of approximately US$ 8,000,000 and dispositions in excess of 450,000 Biovail common shares for proceeds of approximately US$ 8,000,000 in the Archer Account at Lehman Bros.; and

(h) acquisitions of 300,000 Biovail common shares at a cost of approximately US$ 5,000,000 in the Southridge Account at Monness Crespi.

19. During 2004, the following trading in Biovail securities (and derivatives in respect of Biovail securities) occurred in the Watt Carmichael Accounts:

(a) acquisitions in excess of 150,000 Biovail common shares at a cost of approximately US$ 2,000,000 and dispositions in excess of 350,000 Biovail common shares for proceeds of approximately US$ 6,000,000 in the Conset Account at Watt Carmichael;

(b) dispositions of 1,700 Biovail common shares for proceeds of approximately US$ 30,000 in the Congor Account at Watt Carmichael; and

(c) dispositions of in excess of 375,000 Biovail common shares for proceeds of approximately US$ 8,000,000 in the Southridge Account at Watt Carmichael.

Current Status of Trusts and Accounts

20. During 2004 and 2005, Melnyk settled four new trusts, known as STAR trusts, in the Cayman Islands. Melnyk represents that STAR trusts are a new form of trust permitted by legislation enacted in the Cayman Islands after the original Trusts were established. These STAR trusts are known as the Breakwater, Edgewater, South Point and Highwater trusts (collectively, the "New Trusts").

21. The trustees of the New Trusts (the "New Trustees") are institutional trust administrators located in the Cayman Islands and include Barclay's Private Bank & Trust (Cayman) Limited, Coutts (Cayman) Limited and Caledonian Bank & Trust Limited.

22. After the New Trusts were established, Melnyk requested that the Trustees transfer the shares of the Investment Companies to holding companies owned by the New Trusts. The Trustees have complied with this request and the shares either have been or are in the process of being transferred.

23. The beneficiaries of the New Trusts include Melnyk's wife and children. Melnyk represents that he is not now and has never been a beneficiary of the New Trusts, and holds no interest, contingent or otherwise, in the assets of the New Trusts. The power to add or remove beneficiaries of the New Trusts is held by the New Trustees and not by Melnyk. Furthermore, pursuant to the trust deeds of the New Trusts, Melnyk cannot be a beneficiary of the New Trusts as long as they hold shares of Biovail.

24. Melnyk represents that, to his knowledge, there has been no trading of the shares of Biovail, or derivative transactions directly or indirectly involving Biovail securities, in the Accounts since May of 2004, other than sales of Biovail shares required to:

(a) fund a charitable donation; and

(b) pay certain administrative expenses of the Trusts and New Trusts.

25. As at February 2006, the Canadian and U.S. Accounts held 9,408,232 Biovail common shares, as particularized below:

(a) 827,500 shares in the Southridge Account;

(b) 2,113,385 shares in the Southridge Account at Moness Crespi;

(c) 676,566 shares in the Conset Account;

(d) 3,495,841 shares in the Congor Account; and

(e) 2,294,940 shares in the Archer Account at Lehman Brothers.

To Melnyk's knowledge, the accounts do not hold any derivatives in respect of Biovail securities.

Melnyk's Relationships With and Activities Involving the Trusts

26. From the time that the Trusts were established in 1996, Melnyk maintained certain relationships with the Trusts and engaged in certain activities involving the Trusts, including the following:

(a) Melnyk was the settlor of each of the Trusts;

(b) Prior to August of 2000, Melnyk and members of Melnyk's family were beneficiaries of each of the Trusts. Thereafter, as explained more fully below, Melnyk revocably disclaimed his interest in the Congor and Conset Trusts, but had the power to re-acquire his interest in those Trusts at any time;

(c) Melnyk was asked for and provided recommendations to the Trustees in relation to the opening of the Accounts and, on occasion, concerning the transfer of Biovail securities between the Accounts;

(d) On a few occasions in 2002 and 2003, Melnyk was asked for and provided his recommendations to the Trustees in relation to certain acquisitions or dispositions of Biovail securities held in the Accounts;

(e) As set out above, at the time of the creation of the Trusts in 1996 and the New Trusts in 2004 or 2005, Melnyk recommended that assets be transferred into and out of the Trusts, and the Trustees complied with these requests;

(f) Between April 1998 and December 2003, Melnyk requested and received from the Trusts unsecured loans in the amounts of US$ 88,375,778 and CDN$ 4,050,830. Melnyk provided the Investment Companies with promissory notes requiring him to repay the loans together with interest calculated at a rate of 6% per annum. The repayment dates of the loans have been extended several times. Melnyk represents that his requests for loans were declined by the Trustees from time to time, and that from time to time he has repaid amounts outstanding on these loans.

(g) As at December 22, 2003, the outstanding amounts owed by Melnyk on these loans were US$ 100,184,324.39 and CDN$ 5,150,864.85. Melnyk knew or should have known that his requests for loans in certain circumstances could reasonably be expected to trigger sales by the Trusts of Biovail securities.

Reporting Requirements under Ontario Securities Law

27. The term "insider" is defined in subsection 1(1) of the Act to include a director and senior officer of the reporting issuer, as well as any person who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the voting securities of the reporting issuer.

28. Multilateral Instrument 55-103 *Insider Reporting for Certain Derivative Transactions* ("MI 55-103") sets out certain insider reporting requirements. In particular, subsection 2.1 provides as follows:

> Section 2.1 **Reporting Requirement** – If an insider of a reporting issuer
>
> (a) enters into, materially amends or terminates an agreement, arrangement or understanding of any nature or kind, the effect of which is to alter, directly or indirectly,
>
> (i) the insider's economic interest in a security of the reporting issuer, or
>
> (ii) the insider's economic exposure to the reporting issuer; and
>
> (b) the insider is not otherwise required to file an insider report in respect of such event under any provision of Canadian securities legislation, then the insider shall file a report in accordance with Section 3.1 of this Instrument.

29. MI 55-103 came into force on February 28, 2004. Sections 2.3 and 3.2 of MI 55-103 require an insider to disclose the existence and material terms of pre-existing arrangements that were entered into prior to the effective date and continue in force after the effective date:

> 2.3 **Existing agreements which continue in force** – If an insider of a reporting issuer, prior to the effective date of this Instrument, entered into an agreement, arrangement or understanding in respect of which
>
> (a) the insider would have been required to file an insider report under this Instrument if the agreement, arrangement or understanding had been entered into on or after the effective date, and
>
> (b) the agreement, arrangement or understanding remains in effect on or after the effective date of this Instrument,
>
> then the insider shall file a report in accordance with Section 3.2 of this Instrument.
>
> …
>
> 3.2 A person or company who is required under Section 2.3 of this Instrument to file a report shall, within 10 days, or such shorter period as may be prescribed, from the effective date of this Instrument, file a report in the form prescribed for insider reports under securities legislation disclosing the existence and material terms of the agreement, arrangement or understanding.

30. The establishment of the Trusts and the transfer of Biovail securities to the Trusts in 1996, coupled with the fact that such arrangements remained in effect on and after February 28, 2004, together constitute a triggering event for disclosure for the purposes of the supplemental insider reporting requirement contained in MI 55-103.

31. In addition, Melnyk should have disclosed under Ontario law:

(a) his ability to obtain loans from the Trusts, which in certain circumstances could reasonably be expected to trigger sales by the Trusts of Biovail securities; and

(b) the fact that significant loans were outstanding

as these constituted material terms of the Trusts' arrangements.

32. Accordingly, Melnyk was required, pursuant to sections 2.3 and 3.2 of MI 55-103, to file a report disclosing the existence and material terms of the Trusts within 10 days of February 28, 2004. In failing to do so, he violated Ontario securities law.

33. On several occasions after the date MI 55-103 came into force, Melnyk took further actions in connection with the Trusts and the New Trusts that also triggered a supplementary insider reporting requirement pursuant to section 2.1 of MI 55-103. These actions included certain steps associated with the formation of the New Trusts and the transfer of Biovail shares to the New Trusts.

34. In failing to file reports in respect of such subsequent actions, he violated Ontario securities law.

Biovail Management Proxy Circulars: 2002 and 2003

35. In May of 2002 and 2003, Biovail prepared management proxy circulars to solicit proxies to be used at its annual meetings of shareholders held on June 25, 2002 and June 20, 2003, respectively.

Melnyk's Failure to Make Required Disclosures in the 2002 and 2003 Circulars

36. Biovail's management proxy circular dated May 14, 2002 (the "2002 Circular") disclosed information concerning the number of Biovail common shares beneficially owned directly or indirectly or over which control or direction was exercised by the company's directors as at April 30, 2002. As a director, Melnyk was required to provide complete and accurate information to Biovail to be disclosed in the 2002 Circular.

37. The 2002 Circular stated that Melnyk beneficially owned directly or indirectly or exercised control or direction over 25,097,816 Biovail common shares as at April 30, 2002, which represented 16.7% of the outstanding common shares of Biovail. However, the 2002 Circular did not disclose the existence and material terms of the Trusts, including the fact that the Trusts held an additional 12,674,603 Biovail common shares.

38. Biovail's management proxy circular dated May 15, 2003 (the "2003 Circular") disclosed information concerning the number of Biovail common shares beneficially owned directly or indirectly or over which control or direction was exercised by directors as at April 30, 2003. As a director, Melnyk was required to provide complete and accurate information to Biovail to be disclosed in the 2003 Circular.

39. The 2003 Circular stated that Melnyk beneficially owned directly or indirectly or exercised control or direction over 26,101,816 Biovail common shares as at April 30, 2003, representing 16.5% of the outstanding common shares of Biovail. However, the 2003 Circular did not disclose the existence and material terms of the Trusts, including the fact that the Trusts held an additional 12,693,917 Biovail common shares.

40. The 2002 and 2003 Circulars also did not disclose the existence of the loans made by the Trusts to Melnyk, as well as Melnyk's ability to obtain these loans from the Trusts which would, in certain circumstances, reasonably be expected to trigger sales of Biovail shares.

41. This information outlined above had not previously been disclosed in any of Biovail's management circulars between 1996 and 2001, and was not disclosed in the 2004, 2005 and 2006 Biovail management circulars.

42. Melnyk engaged in conduct that was contrary to the public interest when he failed to provide complete and accurate information to Biovail regarding the Trusts' and the New Trusts' holdings of Biovail securities. As a consequence, while Biovail's management circulars between 1996 and 2006 (the "Management Circulars") did disclose the number of Biovail securities which Melnyk beneficially owned directly or indirectly or over which he exercised control or direction, the Management Circulars did not disclose:

(a) Melnyk's relationship with the Trusts and New Trusts; and

(b) The number of Biovail securities held by the Trusts and the New Trusts.

43. The disclosure contained in the Management Circulars was therefore incomplete and misleading.

Trading in the Accounts during Biovail Trading Blackout Periods: 2002 and 2003

44. Biovail adopted a policy effective December 5, 2001 entitled "Insider Trading, Reporting and Blackout Policy". The Biovail Insider Trading, Reporting and Blackout Policy stated, among other things, that:

> It is illegal for any director, officer or employee of the Company or any subsidiary of the Company to trade in the securities of the Company while in the possession of material non-public information concerning the Company. It is also illegal for any director, officer or employee of the Company to give material non-public information to others who may trade on the basis of that information. In order to comply with applicable securities laws governing (i) trading in Company securities while in the possession of material non-public information concerning the Company and (ii) tipping or disclosing material non-public information to outsiders, and in order to prevent the appearance of improper trading or tipping, the Company has adopted its Insider Trading Policy for all of its directors, officers and employees, members of their families and others living in their households, and investment partnerships and other entities (such as trusts and corporations) over which such directors, officers or employees have or share voting or investment control.
>
> Directors, officers and employees are responsible for ensuring compliance by their families and other members of their households and entities over which they exercise voting or investment control.
>
> This Insider Trading Policy applies to any and all transactions in the Company's securities, including its common shares and options to purchase common shares, warrants and any other type of securities that the Company may issue in the future.
>
> Black-Out Periods
>
> There is a mandatory seven (7) days blackout period for all employees of the Company prior to the release of quarterly and annual financial statements which shall continue until two (2) trading days after the time such information has been released to the public.
>
> Additionally, an employee who is working on a particular transaction may be prohibited from selling securities of the Company for an indefinite period. You will be advised if the Company believes that you should not trade in securities of the Company as a result of your involvement in a particular transaction.
>
> No insider or employee shall trade in shares of Biovail until two trading days after the issuance of any news release in which material information is conveyed.

45. During 2002, there were three periods in which the members of the Biovail board of directors were prohibited by this policy from trading in Biovail securities ("Biovail Blackout Periods"). The Biovail Blackout Periods in 2002 were as follows: February 7 to April 29, July 16 to July 29, and October 18 to October 31, 2002.

46. During 2003, there were four Biovail Blackout Periods. These were: February 21 to March 6, April 18 to May 1, July 14 to July 31, and September 30 to November 3, 2003.

47. In 2002, Rowan engaged in trading of Biovail securities in the Watt Carmichael Accounts during each of the Biovail Blackout Periods. Specifically, there were acquisitions in excess of 2,000,000 Biovail common shares, and dispositions in excess of 2,000,000 Biovail common shares during the 2002 Blackout Periods.

48. In 2003, Rowan engaged in trading of Biovail securities in the Watt Carmichael Accounts during each of the Biovail Blackout Periods. Specifically, there were acquisitions in excess of 2,400,000 Biovail common shares and acquisitions of 10,000 call options (in respect of common shares of Biovail). Further, 300,000 Biovail call options (in respect of common shares of Biovail) were exercised, and in excess of 2,700,000 Biovail common shares were sold.

49. During the material time and from time to time, Melnyk or his assistant received copies of the monthly account statements sent to the Trustees for all of the Accounts including the Watt Carmichael Accounts. Melnyk represents that on occasion, copies of these statements were sent to him or his assistant several months after they were generated. Melnyk further represents that he typically reviewed summaries of the statements rather than the statements themselves. In circumstances when Melnyk had reviewed detailed trading information contained in the brokerage statements, he either knew or should have known that Rowan had engaged in trading in Biovail securities in the Watt Carmichael Accounts during the Biovail Blackout Periods in 2002 and 2003.

Melnyk's Conduct Regarding Blackout Periods Contrary to the Public Interest

50. In light of Melnyk's positions as Chairman of the Board and CEO of Biovail and in light of Biovail's Insider Trading, Reporting and Blackout Policy, Melnyk engaged in conduct contrary to the public interest by permitting such substantial trading

in shares of Biovail by offshore trusts established by him for the benefit of his family without taking greater steps to ensure whether there was full compliance with applicable securities laws and by failing to direct Rowan to refrain from trading in Biovail common shares during the Biovail Blackout Periods.

51. Further, Melnyk engaged in conduct contrary to the public interest in that during the Biovail Blackout Period in October of 2003, he was asked for and provided his recommendations in respect of several trades of publicly traded securities that had been proposed to the Archer Trustees by Lehman Brothers. One of these proposed trades involved a purchase of 300,000 Biovail shares in the Archer Account held there. Melnyk indicated that he was "o.k." with the proposed investment and the purchase was made.

52. Also, on October 22, 2003, Melnyk's assistant arranged for a matched trade in Biovail shares between the BMO Archer Account and the Conset Account wherein 360,000 Biovail shares were sold by Archer to Conset in order to generate proceeds for a loan to Melnyk of US$ 10,000,000. Melnyk should have known that his request for this loan might trigger a sale of Biovail securities.

Communications with IDA Staff

53. On January 21, 2000, the IDA notified Watt Carmichael that it had completed a sales compliance review. In the course of this review, the IDA had requested various documents and information concerning the Conset and Congor Accounts. Specifically, the IDA requested that Watt Carmichael provide copies of the trust agreements for both the Conset and Congor Accounts and name the beneficial owners of these accounts.

54. On May 24, 2000, the IDA requested further information from Watt Carmichael in relation to these items. In its request, the IDA stated:

> As mentioned in our 1999 SCR (Sales Compliance Review of Watt Carmichael) the activities surrounding Mr. Eugene Melnyk's involvement in the Conset and Congor accounts do raise concerns regarding the beneficial ownership of these accounts since it appears that the Biovail holdings in these accounts may form part of Mr. Melynk's control position.

55. Following receipt of the IDA request, Rowan sent a memo dated June 7, 2000 to Melnyk enclosing a copy of the IDA's May 24, 2000 request. In the memo, Rowan wrote:

> Eugene, can we provide the IDA with some suitable response to get them to go away….If you do not wish to disclose the beneficiaries to the IDA (I don't see any harm in doing so), is there some declaration we can provide the IDA which states that Eugene Melnyk is not a beneficiary of the trust and therefore has no beneficial ownership in them. If we can provide the above, I am confident that we can get the IDA to go away. Please call me regarding this.

56. At the time of Rowan's memo, Melnyk was listed as a beneficiary in the deeds of settlement for each of the Trusts. Subsequent to Rowan's memo, Melnyk's assistant asked for written confirmation from the Congor and Conset Trustees that he was not a beneficiary of either of the Congor or Conset Trusts.

57. In response to such requests, Melnyk received a letter from the Congor Trustees dated July 17, 2000 listing Melnyk as a beneficiary of the Congor Trust.

58. The Conset Trustees also responded on July 17, 2000 with a letter listing the beneficiaries of that trust except for Melnyk. At that time, however, the Conset deed of settlement specifically listed Melnyk as a beneficiary of the Conset trust.

59. On July 17, 2000, Melnyk forwarded the letters from the Congor and Conset Trustees to Rowan.

60. In letters dated July 24, 2000 from Melnyk to each of the Conset and Congor Trustees, Melnyk purported to revocably disclaim his interest in the Conset and Congor Trusts. Melnyk's letter to the Conset Trustees stated:

> Dear Sirs:
>
> As you are aware, I am the Settlor and a member of the Discretionary Class of Beneficiaries of the Conset Trust which was created by Deed of Settlement dated 23 September 1996. Clause 12(a) of the Deed of Settlement permits a beneficiary to disclaim his interest in the Settlement in whole or in part.
>
> Pursuant to my power, and any other power which would enable me to do so, I hereby revocably disclaim my entire interest in the Conset Trust. **Please note that this disclaimer of interest is revocable and may be revoked by me by letter in writing to you.**

Please sign and date a copy of this letter acknowledging your receipt and agreement.

Yours sincerely, **[emphasis added]**

61. A substantially similar letter was sent to the Congor Trustees.

62. On August 1, 2000, Melnyk's U.S. counsel, Andrew J. Levander, provided Watt Carmichael with a letter addressed to Chris Dimitropoulos, the Manager of Sales Compliance for the IDA (the "August Letter") which stated:

Dear Mr. Dimitropoulos:

We have been asked to respond to your letter dated May 24, 2000 regarding the identity of the "beneficial owner(s) of the Congor and Conset accounts at Watt Carmichael Inc. As you are undoubtedly aware, the actual owners of those two accounts are, respectively, the Congor Trust and the Conset Trust. Both of those trusts were settled i.e. established by Eugene Melnyk under the laws of the Cayman Islands approximately four years ago. Each trust has as its trustee a different major financial institution: Caledonian Bank & Trust Limited is the trustee of the Conset Trust and Coutts (Cayman) Limited, the Cayman subsisdiary of the Coutts Group which, in turn, is part of NatWest, is the trustee of the Congor Trust.

Under the law of the Cayman Islands, which governs those trusts, the identity of the beneficiaries of the Trusts is a matter of strictest confidence. Nonetheless, we have recently received written confirmation from each of the respective trustees of the Congor Trust and the Conset Trust regarding the current beneficiaries to the Trusts, and **we have been authorized to confirm that Eugene Melnyk is not a beneficiary of either Trust.** Nor, of course, is he a trustee of the Trusts.

Respectfully submitted, **[emphasis added]**

63. On August 10, 2000, G. Michael McKenney, the Vice-President of Compliance and Operations of Watt Carmichael wrote to Mr. Dimitropoulos to forward Mr. Levander's letter of August 1, 2000. He stated:

Dear Mr. Dimitropoulos:

Re: 1999 – Sales Compliance Review

I am responding on behalf of Mr. Harry J. Carmichael.

ITEM 2.3 – Trading Concerns

Please find a letter to your attention from Mr. Andrew J. Levander of Swidler Berlin Shereff Friedman, LLP, New York. Mr. Levander concludes verbally that because Mr. Melnyk is not a beneficiary or a trustee of Conset or Congor that the shares are not Control Stock.

Mr. Levander let it be known that he would be happy to talk to you about the contents of the letter for further clarification and any other issues related to your concerns about Congor and Conset.

The account suspension remains in place.

Yours truly,

64. Thereafter, Melnyk represents that there was no further communication between the IDA and either Levander or him.

65. Melnyk knew or should have known that the August Letter would be provided to the IDA by Watt Carmichael, and that it contained statements that were incomplete and misleading in responding to the IDA's inquiry.

66. In particular, the IDA was not informed of the following facts: that Melnyk had previously been listed as a beneficiary in the deeds of settlement for the Congor and Conset Trusts, the identity of the other beneficiaries of the Trusts (which included members of Melnyk's immediate family); and the fact that Melnyk had revocably (rather than irrevocably) disclaimed his interest in the Congor and Conset Trusts on July 24, 2000 and could therefore reacquire his interest in those Trusts at any time.

67. Melnyk engaged in conduct contrary to the public interest in authorizing his U.S. counsel to send the August Letter. In the circumstances in which it was sent, the August Letter was incomplete and misleading.

V. POSITION OF MELNYK

68. In June of 2004, Melnyk (then Chairman and CEO of Biovail) announced Biovail's intention to separate those two roles. In October of 2004, Biovail announced the appointment of Dr. Douglas Squires as CEO. Melnyk became Executive Chairman of Biovail at that time and in 2006 became its Chairman.

69. Later in 2004, at Melnyk's direction, Biovail initiated a full-scale corporate governance enhancement initiative. To ensure that Biovail is able to draw upon the most current practices, Biovail has also retained the services of leading experts and consulting firms to assist it in the enhancement of its governance practices. The governance enhancement measures approved to date have resulted in changes to Biovail's Board structure, composition, processes, practices and recruitment, and fall under three broad headings:

(a) defining the responsibilities of the Board and management;

(b) enhancing Board effectiveness; and

(c) increasing transparency to, and communications with, shareholders.

70. In 2005, Biovail enhanced the independence and financial expertise of its Board and audit committee by recruiting two new directors with extensive experience as public company chief financial officers.

71. Biovail has also enhanced its legal and compliance capabilities. Among other things, it has recruited highly experienced lawyers to the positions of General Counsel and Chief Compliance Officer. It has adopted a corporate disclosure policy that reflects current standards for public companies and has created a disclosure committee that meets regularly and reports to the Board on its activities.

72. Biovail has adopted a new trading black out policy and a new insider trading policy, both of which have been reviewed and approved by the Board.

VI. TERMS OF SETTLEMENT

73. Melnyk agrees to the following terms of settlement if this agreement is approved by the Commission:

(a) the Commission will make an order pursuant to paragraph 127(1)9 of the Act, requiring that Melnyk pay an administrative penalty in the amount of $750,000. This payment will be made by certified cheque at the time of the Commission's approval of this Settlement Agreement. This payment will be made by Melnyk personally and he will not be reimbursed for or receive a contribution towards this payment from any other person or company. This payment will be allocated to such third parties as the Commission may determine for purposes that will benefit Ontario investors;

(b) the Commission will make an order under paragraph 127(1)8 that Melnyk is prohibited from acting as a director of Biovail for a period of one year beginning from June 30, 2007;

(c) the Commission will make an order under paragraph 127(1)6 of the Act that Melnyk be reprimanded;

(d) the Commission will make an order under subsection 127.1(1) of the Act that Melnyk make a payment to the Commission in the amount of $250,000 representing a portion of the costs of the Commission's investigation in relation to this proceeding. This payment will be made by certified cheque at the time of the Commission's approval of this Settlement Agreement. This payment will be made by Melnyk personally and he will not be reimbursed for or receive a contribution towards this payment from any other person or company;

(e) Melnyk will do the following things:

(i) Melnyk will continue to cooperate with the Commission and its Staff in this matter, and will appear and give truthful and accurate testimony in any investigation or proceeding under the Act relating to this matter at the request of the Commission or its Staff;

(ii) Melnyk will take all necessary steps within his control, including seeking to obtain the agreement of the trustees of the New Trusts (the "New Trustees") and, to the extent necessary, the agreement of the Trustees, to ensure that:

(A) the New Trustees will establish and maintain brokerage accounts at no more than two IDA member firms in relation to the investment companies owned by the New Trusts. These

firms will not include either Watt Carmichael or BMO Nesbitt Burns, will be independent of Biovail and, in particular, will not employ any officer, director or member of management of Biovail. The Biovail securities owned by the New Trusts will be held in those accounts;

(B) the New Trusts (including any other trust established by, on behalf of, or for the benefit of, Melnyk or any associate (as that term is defined in the Act) of Melnyk that holds Biovail securities or derivatives in respect of Biovail securities) will provide an undertaking in form and content acceptable to Staff or the Commission that the New Trusts will treat themselves as if they were insiders of Biovail under the Act and file insider reports under section 107 of the Act in respect of all transactions by the New Trusts in Biovail securities or in derivatives in respect of Biovail securities. The form and content of the initial insider reports of the New Trusts must be acceptable to Staff or the Commission. The undertaking will be signed by authorized representatives of the New Trusts. If the New Trusts do not give this undertaking, Melnyk will make such other arrangements as may be acceptable to Staff or the Commission; and

(C) to the extent possible the steps referred to in paragraphs (A) and (B) above will be completed within 60 days of the date of the order approving this settlement agreement or such further period as Staff or the Commission may authorize;

(iii) Within 30 days of the date of the order approving this settlement agreement or such other date as Staff or the Commission may authorize (the "Deadline"), Melnyk will file insider reports under MI 55-103 on the System for Electronic Disclosure by Insiders ("SEDI") under his name disclosing the existence and material terms of the Trusts and the New Trusts (the "Offshore Trust Arrangements") as of February 28, 2004 in accordance with the terms set out in sections 1, 2 and 3 of Schedule "B" to this Settlement Agreement (or in any other manner approved in advance by Staff or the Commission);

(iv) By the Deadline, Melnyk will take all necessary steps within his control to cause Biovail to file a press release on SEDAR as described below. If Biovail does not file this press release, Melnyk will make such other arrangements as may be acceptable to Staff or the Commission. The press release's form and content must be acceptable to Staff or the Commission. The press release will describe:

(A) the terms of this Settlement Agreement;

(B) the existence and material terms of the Offshore Trust Arrangements;

(C) the fact that the Offshore Trust Arrangements include trusts that have been settled by Melnyk;

(D) the fact that insider reports in relation to the Offshore Trust Arrangements can be found on SEDI under Melnyk's name; and

(E) the terms of the call options and other derivatives in respect of Biovail securities held by the Trusts on February 28, 2004 (including the number of underlying securities and the range of exercise prices and expiry dates);

(v) By the Deadline, Melnyk will:

(A) file a comprehensive report with the Office of the Secretary to the Commission based on information available to Melnyk after due inquiry containing a list of all trades in Biovail common shares and Biovail call options and other derivatives in respect of Biovail securities entered into by the Trusts and the New Trusts for the period from January 1, 2002 to the Deadline (the "Report"); and

(B) take all necessary steps within his control to ensure that Biovail issues a press release in respect of the Report and files a copy of the press release on SEDAR with a copy of the Report attached as an appendix. If Biovail does not file this press release, Melnyk will make such other arrangements as may be acceptable to Staff or the Commission;

(vi) For the purposes of this Settlement Agreement, a "Material Amendment" is defined as:

(A) a termination of any of the Offshore Trust Arrangements or any similar arrangement established by, on behalf of or for the benefit of Melnyk or any associate (as that term is defined in the Act) of Melnyk (an "Alternate Trust Arrangement") for so long as Biovail securities or derivatives in respect of Biovail securities are held, directly or indirectly, in such Offshore Trust Arrangement or Alternate Trust Arrangement;

(B) any entering into by Melnyk of an Alternate Trust Arrangement in respect of Biovail securities or derivatives in respect of Biovail securities;

(C) any transaction involving, directly or indirectly, Biovail securities or derivatives in respect of Biovail securities entered into by a Trust, New Trust or Alternate Trust Arrangement as a result of a recommendation by Melnyk or as a result of an opportunity provided by Melnyk;

(D) any change in the holdings of a New Trust (or any successor thereto) that represents an acquisition or disposition of 5% or more of the aggregate number of the Biovail common shares held by that New Trust (or any successor thereto); or

(E) any change in the holdings of a New Trust (or any successor thereto) that represents in the aggregate, over a 12-month period, a change of 10% or more of the aggregate number of the Biovail common shares held by that New Trust (or any successor thereto) as of the beginning of such 12 month period;

If, however, Melnyk does not know, and in the exercise of reasonable diligence could not have known of a change described in clauses (D) and (E) above, such change will not be considered a Material Amendment until such time as Melnyk knows or in the exercise of reasonable diligence could be expected to know of such change;

(vii) By the Deadline, Melnyk will file insider reports under MI 55-103 on SEDI under his name disclosing each Material Amendment that occurred between February 28, 2004 and the Deadline in accordance with terms set out in section 4 of the Schedule "B" to this Settlement Agreement (or in any other manner approved in advance by Staff or the Commission);

(viii) If at any time after the Deadline there is a Material Amendment, Melnyk will within 10 days (or such shorter period as may be prescribed) file insider reports under MI 55-103 on SEDI under his name disclosing the Material Amendment in accordance with terms set out in section 5 of the Schedule "B" to this Settlement Agreement (or in any other manner approved in advance by Staff or the Commission);

(ix) Melnyk will take all necessary steps within his control to ensure that future Biovail disclosure documents, including Biovail proxy circulars, will describe the existence and material terms of the Offshore Trust Arrangements in which Biovail securities are held, the number of Biovail common shares owned by the New Trusts and will state that the Offshore Trust Arrangements in which Biovail securities are held are trusts established by Melnyk;

(x) Melnyk will take all necessary steps within his control to arrange for the New Trustees to provide him with the information required to fulfill his obligations under paragraphs (iii), (iv), (v), (vi), (vii), (viii) and (ix) above. Melnyk will provide a copy of this agreement to the New Trustees;

(xi) To the extent that any New Trust (or its successor) beneficially owns, directly or indirectly, or exercises control or direction (or shared control or direction) of 10% or more of any class of the securities of Biovail, Melnyk will, upon becoming aware of such fact, take all necessary steps within his control to ensure that the New Trustees comply with all applicable requirements contained in Ontario securities legislation, including compliance with insider reporting requirements under section 107 of the Act and MI 55-103 and early warning requirements under Ontario securities law;

(xii) On a going-forward basis, Melnyk will not directly or indirectly exercise control or direction (including shared control or direction) over any Biovail securities (or derivatives in respect of Biovail securities) owned or held by the New Trusts (or their successors) in any manner whatsoever without filing insider reports under section 107 of the Act. For greater clarity, Melnyk acknowledges on a going-forward basis that he will have exercised control or direction (including shared control or direction) over the Biovail securities (or derivatives in respect of Biovail securities) for the purposes of section 107 of the Act if he:

(A) directly or indirectly exercises voting control over such Biovail securities or attempts to influence voting decisions by the New Trustees (or their successors) regarding Biovail securities in any manner whatsoever. However, Melnyk will not be required to file an insider report solely because Biovail sends out a management information circular in connection with a solicitation of proxies and Melnyk is a member of Biovail's management or its Board of Directors at the time that the circular is sent;

(B) directly or indirectly exercises investment power over such Biovail securities (or derivatives in respect of Biovail securities) or attempts to influence investment decisions regarding Biovail securities (or derivatives in respect of Biovail securities) by the New Trustees (or their successors) in any manner whatsoever, including influencing decisions to buy, sell or transfer such Biovail securities or (derivatives in respect of Biovail securities); or

(C) directly or indirectly requests loans or cash payments from the Trustees or the New Trustees (or their successors) or attempts to influence the Trustees or the New Trustees (or their successors) to make loans or cash payments to him or his associates or any other person;

(xiii) Notwithstanding paragraph (xii) above, Melnyk may:

(A) make good faith recommendations to the Trustees and the New Trustees regarding donations to charitable endeavours or causes or distributions to family members or others who are beneficiaries of the Trusts or the New Trusts (other than himself); and

(B) give the Trustees and the New Trustees the opportunity to sell Biovail securities as part of a secondary offering.

These actions, if acted upon by the Trustees or the New Trustees, will constitute a Material Amendment, and Melnyk will file an insider report under MI 55-103 disclosing them as set out in paragraph (viii) above;

(xiv) By the Deadline, Melnyk will send a letter to the IDA in the form attached as Schedule "C", apologizing for the conduct summarized under the heading "Communications with IDA Staff", above; and

(xv) The obligations of Melnyk contained in subparagraphs (viii), (ix), (xi) and (xiii) above and the obligations of the New Trusts contained in the undertaking referred to in subparagraph (ii)(B) above will only apply to Melnyk or the New Trusts as long as any Offshore Trust Arrangement or Alternate Trust Arrangement holds Biovail securities or derivatives in respect of Biovail securities and Melnyk is an insider of Biovail or Melnyk's direct and indirect holdings of Biovail securities, combined with the Biovail securities held by the Offshore Trust Arrangements and the Alternate Trust Arrangements represent more than 10% of any class of the outstanding shares of Biovail.

74. Melnyk represents to Staff and the Commission that he does not own directly or indirectly or have any direct or indirect beneficial interest in, nor has he settled any trust owning directly or indirectly any Biovail securities or derivatives in respect of Biovail securities not previously disclosed to Staff.

75. Melnyk acknowledges that Staff continue to conduct an investigation in relation to his conduct concerning matters that are not addressed in the Statement of Allegations or in this settlement agreement.

VII. STAFF COMMITMENT

76. If this settlement agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Melnyk in relation to the matters set out or referred to or described in the Statement of Allegations or in this settlement agreement, subject to the provisions contained in paragraph 77 below.

77. If this settlement agreement is approved by the Commission, and at any subsequent time Melnyk fails to honour the terms and undertakings contained in Parts VI, VIII and IX of this agreement, Staff reserve the right to bring proceedings under Ontario securities law against Melnyk based on the facts set out the Statement of Allegations, as well as the breach of the terms and undertakings.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

78. Approval of this settlement agreement will be sought at a public hearing of the Commission scheduled for a date to be determined by Staff, Melnyk and the Secretary to the Commission (the "Settlement Hearing"). Melnyk will attend the Settlement Hearing in person. Melnyk will request that the portion of the Settlement Hearing dealing with the review of this settlement agreement be held in camera, and Staff will not oppose this request.

79. Staff and Melnyk may refer to any part, or all, of this settlement agreement at the Settlement Hearing. Staff and Melnyk agree that this settlement agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing, unless the parties later agree that further evidence should be submitted at the Settlement Hearing.

80. If this settlement agreement is approved by the Commission, Staff and Melnyk undertake that they will not make any statement inconsistent with this settlement agreement.

81. If this settlement agreement is approved by the Commission, Melnyk agrees to waive his right to a full hearing, judicial review or appeal of this matter.

82. Whether or not this settlement agreement is approved by the Commission, Melnyk undertakes that he will not, in any proceeding, refer to or rely upon this settlement agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available. He may, however, rely upon this settlement agreement in any proceeding relating to Staff's commitment set out in paragraph 76 above.

83. If, for any reason whatsoever, this settlement agreement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission, each of Staff and Melnyk will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Statement of Allegations, unaffected by this settlement agreement or the settlement negotiations.

IX. DISCLOSURE OF SETTLEMENT AGREEMENT

84. This settlement agreement and its terms will be treated as confidential by Staff and Melnyk until approved by the Commission. The terms of this settlement agreement will be treated as confidential forever if this settlement agreement is not approved by the Commission, except with the written consent of both Staff and Melnyk or as may be required by law.

85. Notwithstanding the foregoing, Melnyk may disclose this settlement agreement and its terms to his legal, accounting, financial and other advisors and to his lenders and to others who are advising or assisting Melnyk in relation to the matters set out in the Statement of Allegations, as may be necessary or desirable to give effect to the terms of settlement set out above, all of whom shall be informed of its confidential nature.

86. Any obligations of confidentiality will terminate upon approval of this settlement agreement by the Commission.

X. EXECUTION OF SETTLEMENT AGREEMENT

87. The settlement agreement may be signed in one or more counterparts which together will constitute a binding agreement.

88. A facsimile copy of any signature will be as effective as an original signature.

DATED this17th day of May, 2007

"James Doris"
Witness:

"Eugene N. Melnyk"
Eugene N. Melnyk

DATED this 16th day of May, 2007

"Michael Watson"
Michael Watson
Director, Enforcement Branch
Ontario Securities Commission

Schedule "1"

**IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990 c. S-5, AS AMENDED**

AND

**IN THE MATTER OF
EUGENE N. MELNYK, ROGER D. ROWAN,
WATT CARMICHAEL INC., HARRY J. CARMICHAEL
AND G. MICHAEL McKENNEY**

**UNDERTAKING TO THE
ONTARIO SECURITIES COMMISSION**

I, Eugene N. Melnyk, am a Respondent to a Notice of Hearing dated July 28, 2006 issued by the Ontario Securities Commission (the "Commission") in this matter and have entered into a settlement agreement with Staff of the Commission dated May 16, 2007 (the "Settlement Agreement"). All of the defined terms contained in the Settlement Agreement are hereby incorporated by reference. I undertake to the Commission as follows:

1. I will continue to cooperate with the Commission and its Staff in this matter, and will appear and give truthful and accurate testimony in any investigation or proceeding under the Act relating to this matter at the request of the Commission or its Staff.

2. I will take all necessary steps within my control, including seeking to obtain the agreement of the trustees of the New Trusts (the "New Trustees") and, to the extent necessary, the agreement of the Trustees, to ensure that:

(A) the New Trustees will establish and maintain brokerage accounts at no more than two IDA member firms in relation to the investment companies owned by the New Trusts. These firms will not include either Watt Carmichael or BMO Nesbitt Burns, will be independent of Biovail and, in particular, will not employ any officer, director or member of management of Biovail. The Biovail securities owned by the New Trusts will be held in those accounts;

(B) the New Trusts (including any other trust established by, on behalf of, or for the benefit of, me or any associate (as that term is defined in the Act) of mine that holds Biovail securities or derivatives in respect of Biovail securities) will provide an undertaking in form and content acceptable to Staff or the Commission that the New Trusts will treat themselves as if they were insiders of Biovail under the Act and file insider reports under section 107 of the Act in respect of all transactions by the New Trusts in Biovail securities or in derivatives in respect of Biovail securities. The form and content of the initial insider reports of the New Trusts must be acceptable to Staff or the Commission. The undertaking will be signed by authorized representatives of the New Trusts. If the New Trusts do not give this undertaking, I will make such other arrangements as may be acceptable to Staff or the Commission.

(C) to the extent possible the steps referred to in paragraphs (A) and (B) above will be completed within 60 days of the date of the order approving the Settlement Agreement or such further period as Staff or the Commission may authorize.

3. Within 30 days of the date of the order approving the Settlement Agreement or such other date as Staff or the Commission may authorize (the "Deadline"), I will file insider reports under MI 55-103 on the System for Electronic Disclosure by Insiders ("SEDI") under my name disclosing the existence and material terms of the Trusts and the New Trusts (the "Offshore Trust Arrangements") as of February 28, 2004 in accordance with the terms set out in sections 1, 2 and 3 of Schedule "B" to the Settlement Agreement (or in any other manner approved in advance by Staff or the Commission).

4. By the Deadline, I will take all necessary steps within my control to cause Biovail to file a press release on SEDAR as described below. If Biovail does not file this press release, I will make such other arrangements as may be acceptable to Staff or the Commission. The press release's form and content must be acceptable to Staff or the Commission. The press release will describe:

(A) the terms of the Settlement Agreement;

(B) the existence and material terms of the Offshore Trust Arrangements;

(C) the fact that the Offshore Trust Arrangements include trusts that have been settled by me;

(D) the fact that insider reports in relation to the Offshore Trust Arrangements can be found on SEDI under my name; and

(E) the terms of the call options and other derivatives in respect of Biovail securities held by the Trusts on February 28, 2004 (including the number of underlying securities and the range of exercise prices and expiry dates).

5. By the Deadline, I will:

(A) file a comprehensive report with the Office of the Secretary to the Commission based on information available to me after due inquiry containing a list of all trades in Biovail common shares and Biovail call options and other derivatives in respect of Biovail securities entered into by the Trusts and the New Trusts for the period from January 1, 2002 to the Deadline (the "Report"); and

(B) take all necessary steps within my control to ensure that Biovail issues a press release in respect of the Report and files a copy of the press release on SEDAR with a copy of the Report attached as an appendix. If Biovail does not file this press release, I will make such other arrangements as may be acceptable to Staff or the Commission.

6. For the purposes of this undertaking, a "Material Amendment" is defined as:

(A) a termination of any of the Offshore Trust Arrangements or any similar arrangement established by me, on my behalf of or for my benefit or that of any of my associates (as that term is defined in the Act) (an "Alternate Trust Arrangement") for so long as Biovail securities or derivatives in respect of Biovail securities are held, directly or indirectly, in such Offshore Trust Arrangement or Alternate Trust Arrangement;

(B) any entering into by me of an Alternate Trust Arrangement in respect of Biovail securities or derivatives in respect of Biovail securities;

(C) any transaction involving, directly or indirectly, Biovail securities or derivatives in respect of Biovail securities entered into by a Trust, New Trust or Alternate Trust Arrangement as a result of a recommendation by me or as a result of an opportunity provided by me;

(D) any change in the holdings of a New Trust (or any successor thereto) that represents an acquisition or disposition of 5% or more of the aggregate number of the Biovail common shares held by that New Trust (or any successor thereto); or

(E) any change in the holdings of a New Trust (or any successor thereto) that represents in the aggregate, over a 12-month period, a change of 10% or more of the aggregate number of the Biovail common shares held by that New Trust (or any successor thereto) as of the beginning of such 12 month period;

If, however, I do not know, and in the exercise of reasonable diligence could not have known of a change described in clauses (D) and (E) above, such change will not be considered a Material Amendment until such time as I know or in the exercise of reasonable diligence could be expected to know of such change.

7. By the Deadline, I will file insider reports under MI 55-103 on SEDI under my name disclosing each Material Amendment that occurred between February 28, 2004 and the Deadline in accordance with terms set out in section 4 of the Schedule "B" to the Settlement Agreement (or in any other manner approved in advance by Staff or the Commission).

8. If at any time after the Deadline there is a Material Amendment, I will within 10 days (or such shorter period as may be prescribed) file insider reports under MI 55-103 on SEDI under my name disclosing the Material Amendment in accordance with terms set out in section 5 of the Schedule "B" to the Settlement Agreement (or in any other manner approved in advance by Staff or the Commission).

9. I will take all necessary steps within my control to ensure that future Biovail disclosure documents, including Biovail proxy circulars, will describe the existence and material terms of the Offshore Trust Arrangements in which Biovail securites are held, the number of Biovail common shares owned by the New Trusts and will state that the Offshore Trust Arrangements in which Biovail securities are held are trusts established by me.

10. I will take all necessary steps within my control to arrange for the New Trustees to provide me with the information required to fulfill my obligations under paragraphs 3, 4, 5, 6, 7, 8 and 9 above. If the Settlement Agreement is approved by the Commission, I will provide a copy of the Settlement Agreement to the New Trustees.

11. To the extent that any New Trust (or its successor) beneficially owns, directly or indirectly, or exercises control or direction (or shared control or direction) of 10% or more of any class of the securities of Biovail, I will, upon becoming aware of such fact take all necessary steps within my control to ensure that the New Trustees comply with all applicable requirements contained in Ontario securities legislation, including compliance with insider reporting requirements under section 107 of the Act and MI 55-103 and early warning requirements under Ontario securities law.

12. On a going-forward basis, I will not directly or indirectly exercise control or direction (including shared control or direction) over any Biovail securities (or derivatives in respect of Biovail securities) owned or held by the New Trusts (or their successors) in any manner whatsoever without filing insider reports under section 107 of the Act. For greater clarity, I acknowledge on a going-forward basis that I will have exercised control or direction (including shared control or direction) over the Biovail securities (or derivatives in respect of Biovail securities) for the purposes of section 107 of the Act if I:

(A) directly or indirectly exercise voting control over such Biovail securities or attempt to influence voting decisions by the New Trustees (or their successors) regarding Biovail securities in any manner whatsoever. However, I will not be required to file an insider report solely because Biovail has sent out a management information circular in connection with a solicitation of proxies and I am a member of Biovail's management or its Board of Directions at the time that the circular is sent;

(B) directly or indirectly exercise investment power over such Biovail securities (or derivatives in respect of Biovail securities) or attempt to influence investment decisions regarding Biovail securities (or derivatives in respect of Biovail securities) by the New Trustees (or their successors) in any manner whatsoever, including influencing decisions to buy, sell or transfer such Biovail securities or (derivatives in respect of Biovail securities); or

(C) directly or indirectly request loans or cash payments from the Trustees or the New Trustees (or their successors) or attempt to influence the Trustees or the New Trustees (or their successors) to make loans or cash payments to me or my associates or any other person.

13. Notwithstanding paragraph 12 above, I may:

(A) make good faith recommendations to the Trustees and the New Trustees regarding donations to charitable endeavours or causes or distributions to family members or others who are beneficiaries of the Trusts or the New Trusts (other than myself); and

(B) give the Trustees and the New Trustees the opportunity to sell Biovail securities as part of a secondary offering.

These actions, if acted upon by the Trustees or the New Trustees, will constitute a Material Amendment, and I will file an insider report under MI 55-103 disclosing them as set out in paragraph 8 above.

14. By the Deadline, I will send a letter to the IDA in the form attached as Schedule "C" to the Settlement Agreement, apologizing for the conduct summarized under the heading "Communications with IDA Staff" in the Settlement Agreement.

15. My obligations contained in paragraphs 8, 9, 11 and 13 above and the obligations of the New Trusts contained in the undertaking referred to in paragraph 2(B) above will only apply to me or the New Trusts as long as the Offshore Trust Arrangements or the Alternate Trust Arrangements hold Biovail securities or derivatives in respect of Biovail securities and I am an insider of Biovail or my direct and indirect holdings of Biovail securities, combined with the Biovail securities held by the Offshore Trust Arrangements and the Alternate Trust Arrangements represent more than 10% of any class of the outstanding shares of Biovail.

Signed: "Eugene N. Melnyk" Date: May 17, 2007
Eugene N. Melnyk

Schedule "A"

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990 c. S-5, AS AMENDED

AND

IN THE MATTER OF
EUGENE N. MELNYK, ROGER D. ROWAN,
WATT CARMICHAEL INC., HARRY J. CARMICHAEL
AND G. MICHAEL McKENNEY

ORDER
(Sections 127 and 127.1)

WHEREAS on July 28, 2006 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") and Statement of Allegations (the "Statement of Allegations") pursuant to sections 127 and 127.1 of the *Securities Act* (the "Act") in respect of the parties listed above;

AND WHEREAS Eugene N. Melnyk ("Melnyk") has entered into a settlement agreement with Staff of the Commission dated May 16, 2007 in relation to the matters set out in the Statement of Allegations (the "Settlement Agreement");

AND WHEREAS Melnyk has provided the Commission with a written undertaking, attached hereto as Schedule "1";

UPON reviewing the Notice of Hearing, Statement of Allegations and Settlement Agreement, and upon hearing submissions from counsel for Melnyk and for Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS HEREBY ORDERED that:

1. The Settlement Agreement, a copy of which is attached to this Order as Schedule "2", is approved.

2. Pursuant to clause 9 of subsection 127(1) of the Act, Melnyk will pay an administrative penalty to the Commission in the amount of $750,000.00. This payment will be allocated by the Commission to or for the benefit of third parties pursuant to section 3.4(2)(b) of the Act.

3. Pursuant to clause 8 of subsection 127(1) of the Act, Melnyk is prohibited from acting as a director of Biovail for a period of one year beginning June 30, 2007.

4. Pursuant to clause 6 of subsection 127(1) of the Act, Melnyk is reprimanded.

5. Pursuant to section 127.1 of the Act, Melnyk will make a payment to the Commission in the amount of $250,000.00 representing a portion of the costs of the Commission's investigation in relation to this proceeding.

DATED at Toronto this 18th day of May, 2007

_____ _____

_____

Schedule "B"

Information to be filed on SEDI

Security Designations for Offshore Trust Arrangements

1. By the Deadline, Melnyk will create (or cause to be created) the following new "insider defined" security designations on SEDI in respect of his holdings in Biovail with the following information required by item 5 of Form 55-102F2 **Insider Report** under National Instrument 55-102 **SEDI** ("Form 55-102F2"):

(a) For the Biovail common shares owned by the Trusts and the New Trusts:

Security Designation
Security category: Third Party Derivatives
Security name: Other
Additional description: Offshore Trust Arrangement

Underlying Security Designation
Security category: Equity
Security name: Common Shares
Additional description: of Biovail

(b) For the Biovail call options owned by the Trusts and the New Trusts:

Security Designation
Security category: Third Party Derivatives
Security name: Other
Additional description: Offshore Trust Arrangement

Underlying Security Designation
Security category: Third Party Derivative
Security name: Other
Additional description: Call Options to purchase Common Shares of Biovail

Opening Balance Reports for Offshore Trust Arrangements

2. Forthwith after the security designations described in section 1 are created, Melnyk will file (or cause to be filed) an "opening balance" initial insider report on SEDI for each of those security designations with the following information required by Form 55-102F2:

(a) For the Biovail common shares owned by the Trusts and the New Trusts:

Reporting issuer: Biovail Corporation
Insider: Eugene Melnyk
Security designation: Offshore Trust Arrangement (Common Shares of Biovail)
Ownership type: Control or Direction
Registered holder: Various Cayman Islands Trusts
Opening balance of securities held: 0
Opening balance of equivalent number or value of underlying securities: 0
General Remarks: Melnyk set up various trusts in 1996. These reports show Biovail securities held by the trusts and are filed pursuant to a settlement agreement with the OSC. For more information, see the Biovail press release dated [insert date] filed on sedar.com

(b) For the Biovail call options owned by the Trusts and the New Trusts:

Reporting issuer: Biovail Corporation
Insider: Eugene Melnyk
Security designation: Offshore Trust Arrangement (Call Options to purchase Common Shares of Biovail)
Ownership type: Control or Direction
Registered holder: Various Cayman Islands Trusts
Opening balance of securities held: 0
Opening balance of equivalent number or value of underlying securities: 0

General Remarks: Melnyk set up various trusts in 1996. These reports show Biovail securities held by the trusts and are filed pursuant to a settlement agreement with the OSC. For more information, see the Biovail press release dated [insert date] filed on sedar.com

Reports Showing Trust Holdings as of February 28, 2004

3. Forthwith after the reports described in section 2 are filed, Melnyk will file (or cause to be filed) the following insider reports on SEDI with the following information required by Form 55-102F2:

(a) For the Biovail common shares owned by the Trusts and the New Trusts as of February 28, 2004:

Reporting issuer: Biovail Corporation
Insider: Eugene Melnyk
Security designation: Offshore Trust Arrangement (Common Shares of Biovail)
Ownership type: Control or Direction
Registered holder: Various Cayman Islands Trusts
Date of transaction: February 28, 2004
Nature of transaction: code 70 – Acquisition or disposition (writing) of third party derivative
Number or value of derivative securities or contracts acquired: 1
Unit price or exercise price: Not applicable
Equivalent number or value of underlying securities acquired: [Insert number of Biovail common shares owned by the Trusts and the New Trusts as of February 28, 2004]
Conversion or exercise price: Not applicable
Date of expiry or maturity: Not applicable
General Remarks: This report shows the number of Biovail common shares held by the trusts as of February 28, 2004 and is filed pursuant to a settlement agreement with the OSC. For more information, see the Biovail press release dated [insert date] filed on sedar.com

(b) For the Biovail call options owned by the Trusts and the New Trusts as of February 28, 2004:

Reporting issuer: Biovail Corporation
Insider: Eugene Melnyk
Security designation: Offshore Trust Arrangement (Call Options to purchase Common Shares of Biovail)
Ownership type: Control or Direction
Registered holder: Various Cayman Islands Trusts
Date of transaction: February 28, 2004
Nature of transaction: code 70 – Acquisition or disposition (writing) of third party derivative
Number or value of derivative securities or contracts acquired: 1
Unit price or exercise price: Not applicable
Equivalent number or value of underlying securities acquired: [Insert number of Biovail call options owned by the Trusts and the New Trusts as of February 28, 2004]
Conversion or exercise price: Not applicable
Date of expiry or maturity: Not applicable
General Remarks: This report shows the number of Biovail call options held by the trusts as of February 28, 2004 and is filed pursuant to a settlement agreement with the OSC. For more information, see the Biovail press release dated [insert date] filed on sedar.com

Reports Showing Material Amendments to the Offshore Trust Arrangements from February 28, 2004 to the Deadline

4. Forthwith after the reports described in section 3 are filed, Melnyk will file (or cause to be filed) insider reports on SEDI disclosing any Material Amendment to the Offshore Trust Arrangements or any similar arrangement that occurred from February 28, 2004 to the Deadline. For each Material Amendment, Melnyk will file (or caused to be filed) on SEDI:

(a) in the case of a Material Amendment to an Offshore Trust Arrangement or any similar arrangement that only results in a change in the number of Biovail securities held under it, an amendment to the previous insider report for that Offshore Trust Arrangement or other arrangement that:

(i) amends the field for “Equivalent number or value of underlying securities acquired or disposed of” in a manner that will have the effect of showing the new number of applicable underlying Biovail securities; and

(ii) amends the field for “General Remarks” to include an explanation of the change; or

(b) in the case of a Material Amendment that results in the termination of a previous Offshore Trust Arrangement (or any similar arrangement) or the entering into of a new offshore trust arrangement (or any similar arrangement), insider reports that disclose:

(i) if applicable, a disposition of the previous Offshore Trust Arrangement or similar arrangement that showed the previous number of Biovail securities held under it. The report will contain the information required by Form 55-102F2 for the disposition of a third party derivative using nature of transaction code 70 (acquisition or disposition of third party derivative); and

(ii) if applicable, an acquisition of a new offshore trust arrangement or similar arrangement that shows the number of Biovail securities held under it. The report will contain the information required by Form 55-102F2 for the acquisition of a third party derivative using nature of transaction code 70.

Reports Showing Material Amendments to the Offshore Trust Arrangements After the Deadline

5. If at any time after the Deadline, there is a Material Amendment to an Offshore Trust Arrangement or any similar arrangement, Melnyk will file (or caused to be filed) on SEDI:

(a) in the case of a Material Amendment to an Offshore Trust Arrangement or any similar arrangement that only results in a change in the number of Biovail securities held under it, an amendment to the previous insider report for that Offshore Trust Arrangement or other arrangement that:

(i) amends the field for “Equivalent number or value of underlying securities acquired or disposed of” in a manner that will have the effect of showing the new number of applicable underlying Biovail securities; and

(ii) amends the field for “General Remarks” to include an explanation of the change; or

(b) in the case of a Material Amendment that results in the termination of a previous Offshore Trust Arrangement (or any similar arrangement) or the entering into of a new offshore trust arrangement (or any similar arrangement), insider reports that disclose:

(i) if applicable, a disposition of the previous Offshore Trust Arrangement that showed the previous number of Biovail securities held under it. The report will contain the information required by Form 55-102F2 for the disposition of a third party derivative using nature of transaction code 70 (acquisition or disposition of third party derivative); and

(ii) if applicable, an acquisition of a new offshore trust arrangement or similar arrangement that shows the number of Biovail securities held under it. The report will contain the information required by Form 55-102F2 for the acquisition of a third party derivative using nature of transaction code 70.

Schedule "C"

Date

The Investment Dealers Association of Canada
121 King Street West
Suite 1600
Toronto, Ontario
M5H 3T9

Attention: Chris Dimitropoulos

Dear Mr. Dimitropoulos:

Re: Apology

I write as a result of a letter addressed to you by my American counsel, Mr. Andrew Levander, which was dated August 1, 2000. In that letter, Mr. Levander was responding to questions raised by your 1999 Sales Compliance Review of your member firm Watt Carmichael Inc. ("WCI"). Specifically, you had asked WCI for the identity of the beneficial owners of trading accounts held at WCI in the name of Congor Investments Ltd. and Conset Investments Ltd.

Mr. Levander wrote in response to your request that I was not a beneficiary of the trusts associated with those accounts. His letter did not contain the following additional facts: I had previously been listed as a beneficiary in the deeds of settlement for those trusts, the other beneficiaries of the trusts included members of my immediate family, and I had revocably (rather than irrevocably) disclaimed my interest in those trusts on July 24, 2000. I could, therefore, have reacquired my interest in those trusts at any time.

It was not my intention that the IDA be misled by Mr. Levander's letter. In the circumstances of your inquiries, however, my response, as reflected in my counsel's letter, was incomplete and misleading. I apologize for having authorized this letter.

Yours sincerely,

Eugene N. Melnyk

2.2.5 Nortel Networks Corporation and Nortel Networks Limited - ss. 127, 127.1

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
NORTEL NETWORKS CORPORATION AND
NORTEL NETWORKS LIMITED
(collectively, "Nortel")

ORDER
(Sections 127 and 127.1)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing dated May 16, 2007 pursuant to sections 127 and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act") announcing that it proposed to consider a settlement agreement entered into by Nortel and Staff of the Commission;

AND WHEREAS on May 16, 2007 Staff of the Commission filed a Statement of Allegations in respect of Nortel;

AND WHEREAS Nortel entered into a settlement agreement dated May 16, 2007 (the "Settlement Agreement") with Staff of the Commission in relation to the matters set out in the Statement of Allegations;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and upon considering submissions of Nortel and of Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement is approved;

2. pursuant to sections 127(1)4 and 127(2) of the Act:

   (i) during the Reporting Period (as defined below), within 30 days of filing each of its quarterly and annual reports, Nortel shall deliver to Staff of the Commission a written report (a "Remediation Progress Report" or "Report") detailing its progress in implementing the Remediation Plan, as outlined in Schedule "A" to this Order, and addressing the other matters described in Schedule "B" to this Order. Remediation Progress Reports shall be delivered for the period commencing the first quarter-end after the date of this Order and ending the earlier of (a) the quarter-end after Nortel has remedied all material weaknesses in its internal control over financial reporting to the satisfaction of its external auditors, and (b) the date when Nortel has reported to Staff of the Commission, to the reasonable satisfaction of Staff, that Nortel has completed the implementation of the Remediation Plan (the "Reporting Period");

   (ii) Remediation Progress Reports shall be prepared substantially in accordance with the instructions in the reporting template attached as Schedule "B";

   (iii) Remediation Progress Reports shall be signed by the Chief Financial Officer and the Controller of Nortel and will include confirmation that the Report has been reviewed by the Chief Compliance Officer and the Audit Committee of Nortel and reflects their comments, if any, on the Report;

   (iv) Staff of the Commission shall be entitled to engage a third party expert or experts (the "Consultant"), acceptable to and at the expense of Nortel, to assist Staff with their review and assessment of any Remediation Progress Report or Reports; and

   (v) at the request of, and on reasonable notice from, Staff of the Commission and/or the Consultant, representatives of Nortel (including, where appropriate, the Chief Financial Officer, the Controller, the Chief Compliance Officer and/or the Chair of the Audit Committee of Nortel) will meet with the Staff and/or the Consultant to discuss and answer questions on any Report; and

3. pursuant to section 127.1 of the Act, Nortel shall make a payment to the Commission in the amount CDN $1,000,000 as a contribution towards the costs of the investigation.

Dated at Toronto, Ontario this 22nd day of May, 2007

"Wendell S. Wigle "

"Suresh Thakrar"

"Margot C. Howard"

SCHEDULE "A"

REMEDIATION PLAN REFERRED TO IN PARAGRAPH 77 OF THE SETTLEMENT AGREEMENT DATED MAY 16, 2007 BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND NORTEL NETWORKS CORPORATION AND NORTEL NETWORKS LIMITED.

	***ACTION*[1]**	***ESTIMATED TARGET DATE*[1]**	***ADDITIONAL INFORMATION***
Material Weakness Remediation Plan	Implement and continue to develop the following remediation plan to address the root causes of the material weakness in the Company's internal control over financial reporting referred to in paragraph 74 of the Settlement Agreement, as well as other deficiencies in other revenue related controls referred to below:		
	(a) Cross-Functional Communication: (i) conduct analyses of selected revenue related prior period adjustments ("PPAs") initially reported in periodic reports filed during 2006, that were restated as part of the restatement included in the 2006 Annual Report, including those related to LG-Nortel, in order to achieve a better understanding of the root causes of the adjustments and identify other appropriate remedial actions and incorporate those actions into the remediation plan;	Q2 2007	• Initial focus of this analysis will be on revenue related PPAs representing approximately 80% of the total dollar value of all revenue related PPAs initially reported in periodic reports filed during 2006. This analysis will include, among other actions, determining the root cause of the adjustment, whether the root cause indicates a broader issue regarding control deficiencies, and whether additional training may be required on a specific aspect of revenue recognition. • Interviews will be held with the initiators of these PPAs using a detailed template to capture information for further analysis. • PPAs recorded in the first quarter of 2007 affecting revenues, if any, will be included in the analysis.
	(ii) conduct further analyses to obtain a more comprehensive understanding of the end-to-end revenue cycle, including the manner and timing of information flow from one functional group to another throughout the Company, in order to identify the specific gaps in communication and to	Q2 2007	• Information will be collected and consolidated on the various components of the revenue cycle, such as Order Management, Project Management, Invoicing and Revenue Recognition. • End-to-end flowcharts of the revenue cycle will be created and confirmed with the relevant managers/directors. • Information collected through this end-to-end review will be compared with

[1] The following action items and estimated target dates represent current planned remedial actions and the estimated fiscal quarter for completion of the particular remedial action, and may be subject to future modifications and adjustments. Remediation Progress Reports will include reasonable details of all such modifications and adjustments and the principal reasons therefor.

	ACTION[1]	ESTIMATED TARGET DATE[1]	ADDITIONAL INFORMATION
	further define roles and responsibilities for communication within the revenue cycle; and		information collected through the analysis of PPAs to identify any inconsistencies. • Control points will be identified, such as points in the revenue cycle where information relevant to revenue accounting is transferred from one group/system to another.
	(iii) implement internal control process changes (including any necessary redefined roles and responsibilities) to address the identified root causes and gaps in cross-functional communication.	Q3 2007	• Controls will be assessed to determine whether they are designed to ensure that information flows completely and accurately throughout the revenue cycle. • Existing controls will be enhanced or new controls will be implemented, as appropriate, including revising job descriptions where necessary to ensure there is clear accountability for these controls. • If it is determined that a control design is adequate, but is not operating effectively, appropriate remediation plans (for example, additional training) will be implemented.
	(b) Segregation of Duties: (i) identify and implement revisions to corporate security policy;	Q2 2007	• The corporate security policy is being reviewed by the SOX technical support team to identify areas where it should be expanded to address issues identified during the 2006 SOX 404 assessment: for example, Information Services personnel having access to business systems.
	(ii) address the specific revenue related segregation of duties deficiencies in internal controls identified in the 2006 SOX 404 assessment, which specifically included lack of segregation of duties in certain instances; and	Q2 2007	• Remediation of deficiencies related to segregation of duties will be tracked as part of the overall deficiency remediation reporting to the SOX management team on a weekly basis and to the SOX Steering Committee on a biweekly basis.
	(iii) as certain of the identified deficiencies relate to insufficient segregation of duties regarding access to computer systems, define and implement an expanded semi-annual user review.	Q3 2007	• Discussions are underway with the Information Services group as to how the group's role needs to change to support the expanded semi-annual user review. • A detailed project plan has been developed specifically to address segregation of duties issues regarding access to computer systems, which is reviewed by the VP SOX on a weekly basis in conjunction with the SOX technology team leader. • As part of Nortel's Finance Transformation project, the Company will implement further

	ACTION[1]	ESTIMATED TARGET DATE[1]	ADDITIONAL INFORMATION
			programmed rules within computer systems as a layer of preventive controls within the systems in order to avoid segregation of duties issues.
	(c) LG-Nortel: (i) develop and implement a finance training policy as part of LG-Nortel's internal controls, similar to the Company's finance training policy;	Q2 2007	• Training of LG-Nortel personnel will be monitored directly by the CFO of LG-Nortel. • LG-Nortel recently appointed an individual from the Control function with U.S. GAAP experience as Assistant Controller of LG-Nortel.
	(ii) in addition to the training on revenue arrangements with multiple deliverables delivered to and completed by Finance and sales personnel of LG-Nortel in Q1 2007, completion of three-day revenue recognition course by appropriate Finance personnel of LG-Nortel; and	Q2 2007	
	(iii) address the deficiencies in internal controls identified in the 2006 SOX 404 assessment specific to LG-Nortel.	Q2 2007	• Other revenue recognition issues to be addressed regarding LG-Nortel are subsumed within the other relevant action items in this Schedule D.
	(d) End User Computing Applications: (i) implement remedial actions to address the revenue related deficiencies in end user computing applications ("EUCAs") identified in the 2006 SOX 404 assessment, and in particular the elimination of unauthorized access to EUCAs.	Q2 2007	• Standards and guidelines for EUCAs (such as spreadsheets) have been revised to address the issues identified in the 2006 SOX 404 assessment, and have been reviewed with the Company's independent accountants. • Remediation of EUCA deficiencies are tracked through the Company's SOX compliance tool, NICAT. • Testing of each EUCA in scope for the 2006 SOX 404 assessment has been scheduled and will take place during April, with overall conclusion on remediation of EUCA deficiencies targeted for May.
	(e) Other Revenue Recognition Training: (i) completion of three-day revenue recognition	Q3 2007	• Targeted populations for training are being re-confirmed since a number of staff have

	ACTION[1]	ESTIMATED TARGET DATE[1]	ADDITIONAL INFORMATION
	training and one-day revenue recognition model for revenue arrangements training by targeted population;		moved between Finance functions. • Reports on attendance are generated monthly to monitor progress and escalate training where required.
	(ii) identify appropriate target population in the sales organization and complete training on revenue recognition and transaction structure models;	Q4 2007	
	(iii) develop revenue recognition training program for the identified order management target population; and	Q2 2007	
	(iv) implement revenue recognition training program for the identified order management target population.	Q4 2007	
	(f) Aid to Implementation of Revenue Recognition Guidelines:		
	(i) develop and implement aids to revenue related accounting guidelines by the Global Revenue Governance group with the goal of heightening the awareness of the Contract Assurance team on identified items.	Q2 2007	• Progress is being monitored through weekly material weakness remediation meetings. • Examples of aids under development include: highlighting that all contracts with a certain type of network element assume a level of customer support for which the fair value is not known, and hence deferral of revenue should be considered; and Rural Utility Service (RUS) contracts most often contain a liquidated damages provision, and hence all RUS contracts should be evaluated with Finance to ensure proper revenue recognition treatment.
	(g) General Computing Controls ("GCC"):		
	(i) remediate the remaining deficiencies in systems that support the end-to-end revenue cycle, such as access by the Information Services group to production systems.	Q2 2007	• The VP SOX meets biweekly with the Information Services SOX leader to review the status of Information Services activities in addressing remaining revenue related deficiencies. • As at April 12, 2007, approximately 57% of the 2006 GCC deficiencies related to revenue recognition had been remediated.

	ACTION[1]	ESTIMATED TARGET DATE[1]	ADDITIONAL INFORMATION
	(h) Deficiency Remediation: (i) apart from those noted in the items above, remediate all specific deficiencies in internal controls identified in the 2006 SOX 404 assessment that impact upon the end-to-end revenue cycle.	Q2 2007	• Reports are generated weekly to highlight progress made on remediation of the specific deficiencies that impact upon the end-to-end revenue cycle, and are reviewed by the VP SOX. • These reports will be distributed to the SOX Steering Committee every two weeks.
People	Review of the skill sets and training of individuals occupying those key positions against the Competency and Training Model to verify individuals occupying those positions have the necessary skill sets and training, and the appropriate professional development plan.	Q2 2007	
	Review the Company's existing mandatory training requirements against the Competency and Training Model and identify any revisions to be made to those mandatory training requirements.	Q3 2007	
Technology	Deployment of SAP system functionality for the general ledger, inter-company accounts, consolidation, direct accounts payable and accounts receivable.	Q2 2007	
	Deployment of SAP system functionality for direct tax, advanced planning, indirect purchasing, fixed assets, research & development, and treasury activities.	Q3 2007	

SCHEDULE "B"

REMEDIATION PROGRESS REPORT TEMPLATE REFERRED TO IN PARAGRAPH 79 OF THE SETTLEMENT AGREEMENT DATED MAY 16, 2007 BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND NORTEL NETWORKS CORPORATION AND NORTEL NETWORKS LIMITED.

1. REPORTING PERIOD

Each report will identify the period to which the report relates (the "reporting period").

2. PROGRESS OF REMEDIATION PLAN

Each report will provide reasonable details of the actions taken during the reporting period for, and status of, each of the remedial measures identified in the Remediation Plan (as set forth on Schedule "D" to the Settlement Agreement). The reports will indicate whether the Company has met or is on track to meet the target timeline for implementation of each remedial measure and, if not, what actions remain outstanding, the principal reasons for the delay and any revised internal timeline to complete such actions. The reports will also include reasonable details of all modifications or adjustments in any of the planned remedial measures identified in the Remediation Report and the principal reasons for such modifications or adjustments.

Should the existing material weakness (as referred to at paragraph 74 of the Settlement Agreement) remain, in whole or in part, at the end of the reporting period, the report will include reasonable details as to the following in respect of each such material weakness:

(i) a description of the material weakness;

(ii) a description of the root causes of the material weakness as identified by management;

(iii) a description of the principal compensating procedures and processes that management has put in place to ensure the reliability of the Company's financial reporting in light of the material weakness;

(iv) the specific remedial actions which management has identified are required to be taken to fully remedy the material weakness or, if such actions have yet to be identified, the process which management proposes to follow to identify such remedial actions; and

(v) the estimated internal timeline for implementing such remedial actions and/or process.

3. TRAINING, COMPLIANCE, ETHICS AND INTERNAL AUDIT

Each report will provide an overview of the areas of focus and activities of the Company's financial accounting training programs and Compliance, Ethics and Internal Audit functions (as described in paragraphs (iv), (v) and (xviii) of Schedule "C" to the Settlement Agreement) during the reporting period, including (without limitation) reporting on:

(i) the activities of the Company's Global Finance Training and Communications group, including remedial and on-going financial accounting training programs developed for Finance, Control and FP&A employees and including the minimum annual training requirements established for Finance employees;

(ii) the communications activities of the Ethics and Compliance functions, including activities directed towards the promotion of Nortel's ethics "hot line", the volume of calls received by the hot line and an overview of the categories of areas raised in such calls; and

(iii) progress on the testing and deployment of the SAP system.

4. CONFIRMATIONS

Each report will confirm that the report has been reviewed by the Company's Chief Compliance Officer and the Audit Committee and reflects their comments, if any, on the report.

Where applicable, a report will confirm whether:

(i) the Company has remedied the material weakness in its internal controls over financial reporting to the satisfaction of its external auditors; and/or

(ii) the Company has completed the implementation of the Remediation Plan.

5. SIGNATURES

Each report will be signed by the Chief Financial Officer and Controller of the Company.

2.2.6 Juniper Fund Management Corporation et al. - s. 127(7)

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
THE JUNIPER FUND MANAGEMENT CORPORATION,
JUNIPER INCOME FUND,
JUNIPER EQUITY GROWTH FUND and ROY BROWN
(a.k.a. ROY BROWN-RODRIGUES)

ORDER
Section 127(7)

WHEREAS on March 8, 2006, the Ontario Securities Commission (the "Commission") ordered pursuant to section 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that all trading in the securities of the Juniper Income Fund and the Juniper Equity Growth Fund (the "Funds") shall cease forthwith for a period of 15 days from the date thereof (the "Temporary Order");

AND WHEREAS pursuant to sections 127(1) and 127(5) of the Act, a hearing was scheduled for March 23, 2006 at 10:00 a.m. (the "Hearing");

AND WHEREAS the Respondents were served with the Temporary Order, the Notice of Hearing dated March 21, 2006, the Statement of Allegations dated March 21, 2006 and the Affidavit of Trevor Walz sworn March 17, 2006;

AND WHEREAS on March 23, 2006, the Commission ordered: (i) an extension of the Temporary Order to May 4, 2006; and (ii) an adjournment of the Hearing to May 4, 2006;

AND WHEREAS Staff have advised that the Commission issued two Directions dated May 4, 2006 under section 126(1) of the Act freezing bank accounts of The Juniper Fund Management Corporation ("JFM"), the Funds and Roy Brown without notice to any of the Respondents;

AND WHEREAS on May 4, 2006, the Commission ordered: (i) the Hearing adjourned to May 23, 2006; (ii) the Temporary Order extended to May 23, 2006; (iii) JFM not to be paid any monthly management fees; (iv) JFM's requests for funds to pay expenses incurred by the Funds to continue to be subject to approval by NBCN Inc. ("NBCN"); (v) weekly lists of expenses by the Funds to continue to be provided to and reviewed by Staff; and (vi) neither JFM nor Roy Brown to deal in any way with the assets or investments of the Funds;

AND WHEREAS Staff have advised that on May 11, 2006 and June 30, 2006, the Ontario Superior Court of Justice (the "Superior Court") ordered that the two Directions dated May 4, 2006 freezing bank accounts of JFM, the Funds and Roy Brown be extended with the exception of the personal accounts and one JFM account as defined in the Superior Court orders dated May 11, 2006 and June 30, 2006;

AND WHEREAS the two Directions expired on September 30, 2006;

AND WHEREAS on May 18, 2006, the Superior Court issued an ex parte order appointing Grant Thornton Limited as Receiver over the assets, undertakings and properties of JFM and the Funds (the "Receivership Order");

AND WHEREAS on May 18, 2006, the Commission granted leave to McMillan Binch Mendelsohn LLP to withdraw as counsel for the Respondents;

AND WHEREAS on May 23, 2006, the Commission ordered: (i) the Hearing adjourned to September 21, 2006; and (ii) the Temporary Order extended to September 21, 2006;

AND WHEREAS on June 2, 2006, the Superior Court confirmed and extended the Receivership Order and approved the conduct of the Receiver and its counsel as set out in the First Report of the Receiver dated May 30, 2006;

AND WHEREAS on September 21, 2006, the Commission ordered: (i) the Hearing adjourned to November 8, 2006; and (ii) the Temporary Order extended to November 8, 2006;

AND WHEREAS NBCN and National Bank Financial Ltd. ("NBFL") have brought a motion for intervenor status in these proceedings (the "Intervenor Motion");

AND WHEREAS on November 7, 2006, the Commission adjourned the Hearing and the Intervenor Motion to December 13, 2006 and extended the Temporary Order to December 13, 2006;

AND WHEREAS on November 17, 2006, the Superior Court ordered, *inter alia*, that: (i) the Receiver is authorized to call a meeting of unitholders of the Funds; and (ii) the conduct of the Receiver and its counsel, as described in the Second and Third Reports of the Receiver, is approved without prejudice to the right of NBFL and NBCN to dispute the Receiver's conclusion that NBFL and NBCN hold no units in the Juniper Equity Growth Fund;

AND WHEREAS by letter dated December 6, 2006, counsel for NBCN and NBFL advised that they intend to withdraw the Intervenor Motion;

AND WHEREAS on December 13, 2006, the Commission ordered: (i) an extension of the Temporary Order to March 2, 2007; and (ii) an adjournment of the Hearing to March 2, 2007;

AND WHEREAS on December 13, 2006, counsel for the Receiver advised that the Receiver will shortly be sending out an update letter to all unitholders explaining the steps taken by the Receiver and the status of the ongoing receivership;

AND WHEREAS on December 13, 2006 Staff advised that Staff's investigation and the investigation by the Receiver are both ongoing and there was a reasonable prospect that Staff's investigation would be completed by March 2007;

AND WHEREAS on December 13, 2006, counsel for the Receiver and Staff of the Commission had consented to: (i) an adjournment of the Hearing to March 2, 2007; and (ii) an extension of the Temporary Order to March 2, 2007 and counsel for Roy Brown did not consent to the adjournment or the extension of the Temporary Order and requested the earliest possible return date;

AND WHEREAS on December 13, 2006, counsel for Roy Brown and Staff of the Commission scheduled a tentative pre-hearing conference with a Commissioner on February 27, 2007 at 11:00 a.m.;

AND WHEREAS on March 2, 2007, Staff advised that Staff's investigation and the investigation by the Receiver are both ongoing and that there is a reasonable prospect that Staff's investigation will be completed by April 2007;

AND WHEREAS on March 2, 2007, Staff advised that the tentative pre-hearing conference scheduled for February 27, 2007 did not proceed as Staff's investigation was ongoing;

AND WHEREAS on March 2, 2007, Staff advised that 13 volumes of initial Staff disclosure were sent to counsel for Roy Brown on February 23, 2007;

AND WHEREAS on March 2, 2007, counsel for the Receiver provided an update of the ongoing receivership and advised that an update letter had been sent to all unitholders;

AND WHEREAS on March 2, 2007, Staff of the Commission requested and counsel for the Receiver consented to: (i) an adjournment of the Hearing to May 22, 2007; and (ii) an extension of the Temporary Order to May 22, 2007, and counsel for Roy Brown did not consent to the adjournment and extension of the Temporary Order;

AND WHEREAS on March 2, 2007, the Commission ordered: (i) an extension of the Temporary Order to May 22, 2007; and (ii) an adjournment of the Hearing to May 22, 2007;

AND WHEREAS the First, Second, Third and Fourth Reports of the Receiver have been filed with the Commission;

AND WHEREAS based on Staff's submissions, the panel expects that Staff will conclude their investigation, amend their Statement of Allegations, provide additional disclosure to the Respondents and have attended at a pre-hearing conference in order to set a date for a hearing on the merits, all by mid-July 2007;

AND WHEREAS Staff of the Commission have requested and counsel for the Receiver has consented to: (i) an adjournment of the Hearing to July 17, 2007; and (ii) an extension of the Temporary Order to July 17, 2007, and counsel for Roy Brown has not consented to the adjournment and extension of the Temporary Order;

AND WHEREAS it is in the public interest to extend the Temporary Order to July 17, 2007;

IT IS ORDERED pursuant to subsection 127(7) of the Act that:

(a) the Hearing is adjourned to July 17, 2007 at 2:00 p.m.; and

(b) the Temporary Order is extended until July 17, 2007.

DATED at Toronto this "22nd" day of May, 2007

"Robert L. Shirriff"

"Suresh Thakrar"

2.2.7 Modatech Systems Inc. - s. 144

Headnote

Section 144 of the Securities Act (Ontario) – variation of cease trade order to complete the redemption of a class of shares.

Applicable Ontario Statutory Provision

Securities Act, R.S.O., c. S.5, as am., ss. 127, 144.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, C.S.5, AS AMENDED (THE ACT)

AND

IN THE MATTER OF
MODATECH SYSTEMS INC.

ORDER
(Section 144)

WHEREAS Modatech Systems Inc. (Modatech) has made an application (the Application) to the Ontario Securities Commission (the Commission) for an order under section 144 of the Act to vary a cease trade order dated December 13, 1995 made pursuant to paragraph 2 of subsection 127(1) and subsection 127(5) of the Act, as extended by a further order dated December 22, 1995 made pursuant to subsection 127(8) of the Act (collectively, the Order) solely to permit Modatech to redeem all of its issued and outstanding Class A Preferred Shares.

AND WHEREAS Modatech has represented to the Commission that:

1. Modatech is a public real estate company incorporated under the *Company Act* (British Columbia) on February 28, 1983 under the name 260827 B.C. Ltd., and changed its name on May 28, 1984 to Modatech Systems Inc.

2. Modatech is a reporting issuer in British Columbia, Manitoba, Ontario and Québec and is also subject to cease trade orders issued by the British Columbia Securities Commission (BCSC), the Manitoba Securities Commission (MSC) and the Autorité des marchés financiers (AMF). Modatech has concurrently applied to the BCSC, MSC and AMF for a partial revocation of these cease trade orders.

3. Modatech's authorized capital consists of 25,000,000 common shares, 12,500,000 Class A Preferred Shares and 2,500,000 Class B Preferred Shares, of which 6,772,001 common shares (the Common Shares), 12,093,522 Class A Preferred Shares (the Class A Preferred Shares) and 2,000,000 Class B Preferred Shares (the Class B Preferred Shares) are issued and outstanding.

4. The Common Shares are not listed or posted for trading on any stock exchange or market, however, they were formerly listed and posted for trading on the Toronto Stock Exchange and NASDAQ (the Exchanges). The Common Shares were de-listed from the Exchanges as result of the Order.

5. When the Share Redemption (defined below) is completed, Modatech's securities, including debt securities, will be beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada.

6. No securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*.

7. The Applicant has no current intention to seek public financing by way of an offering of securities.

8. The Order was issued against Modatech for failing to file its interim financial statements for the nine month period ended August 31, 1995. The most recent continuous disclosure document filed by Modatech on SEDAR is the Notice of Alteration to the Class A Preferred Shares (the Notice of Alteration). Modatech has not filed any continuous disclosure documentation since the Notice of Alteration was filed on SEDAR on November 16, 2005, and is currently in default of the following continuous disclosure filing obligations since November 15, 2005:

   - Audited financial statements for the financial years ended November 30, 2005 and November 30, 2006;
   - Management's Discussion and Analysis for the financial years ended November 30, 2005 and November 30, 2006;
   - Forms 52-109F1 – Certification of Annual Filings on behalf of the CEO and CFO for the financial years ended November 30, 2005 and November 30, 2006;
   - Financial statements for all interim periods from the period ended February 28, 2006 to the period ended February 28, 2007;
   - Management's Discussion and Analysis for all interim periods from the period ended February 28, 2006 to the period ended February 28, 2007; and
   - Forms 52-109F2 – Certification of Interim Filings on behalf of the CEO and CFO for all interim periods from the period ended February 28, 2006 to the period ended February 28, 2007.

9. In its Notice of Annual and Special General Meeting dated October 11, 2005, Modatech provided notice to the holders of the Common Shares, the Class A Preferred Shares and the Class B Preferred Shares of its intention to redeem all of the issued and outstanding 12,093,522 Class A Preferred Shares (the Share Redemption) by payment of the sum of $0.025 per Class A Preferred Share plus all declared and unpaid dividends thereon owing in the amount of $0.0078945 per share.

10. At the time of the shareholder vote on the Share Redemption on November 7, 2005, Modatech's continuous disclosure record was up to date. As a result, Modatech shareholders had all of the information necessary to make an informed investment decision prior to voting on the Share Redemption.

11. When originally issued, the Class A Preferred Shares were retractable at the option of the shareholder at any time after December 31, 2005 for $.025 per share (the "Retraction Price") plus a cumulative, preferred dividend of 6% per annum on the Retraction Price until December 31, 2005. As a result, the Share Redemption price was fixed at the same price as the Retraction Price, with the same dividend entitlement.

12. Voting separately as classes, the holders of Modatech Common Shares, Class A Preferred Shares and Class B Preferred Shares passed separate special resolutions at Modatech's annual and special meeting of shareholders on November 7, 2005 authorizing the amending of Modatech's articles of incorporation to permit the Share Redemption.

13. Modatech cannot effect the Share Redemption without a partial revocation of the Order.

14. Upon the completion of the Share Redemption, the Class A Preferred Shares will be cancelled. The effect of the Share Redemption will be that the issued and outstanding capital of Modatech will consist of 6,772,001 Common Shares and 2,000,000 Class B Preferred Shares.

15. After the Share Redemption, Modatech will only have two private securityholders, including debt securityholders, and intends to apply to deem to cease to be a reporting issuer in all jurisdictions in Canada where it is currently a reporting issuer.

AND UPON considering the Application and the recommendation of the staff of the Commission;

AND UPON the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to section 144 of the Act, that the Order is partially revoked solely to permit the Share Redemption.

DATED this 18th day of May, 2007

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Zoran Popovic and DXStorm.Com Inc.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c.S.5, AS AMENDED

AND

IN THE MATTER OF
ZORAN POPOVIC AND
DXSTORM.COM INC.

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated March 31, 2005, the Ontario Securities Commission (the "Commission") announced that it would hold a hearing on April 26, 2005 to consider whether pursuant to section 127 of the Ontario *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") it is in the public interest to make an order that:

(a) pursuant to section 127(1) clause 2 of the Act, Zoran Popovic ("Popovic") cease trading in securities until he has filed all reports in respect of changes in his direct or indirect beneficial ownership of or control over DXStorm.Com Inc. ("DXStorm") for the period January to December 31, 2002, as required by section 107 (2) of the Act;

(b) pursuant to section 127(1) clause 6 of the Act, Popovic be reprimanded;

(c) pursuant to section 127.1 of the Act, Popovic pay a portion of the costs of the investigation and this proceeding;

(d) pursuant to section 127(1) clause 4 of the Act, DXStorm institute an insider trading policy and implement such other changes as the Commission may direct; and

(e) such other order as the Commission may deem appropriate.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") recommend settlement of the proceeding initiated in respect of Popovic and DXStorm in accordance with the terms and conditions set out below. Popovic and DXStorm consent to the making of an order against them in the form attached as Schedule "A" on the basis of the facts set out below.

III. STATEMENT OF FACTS

3. For the purposes of this Settlement Agreement, Popovic and DXStorm agree with the facts set out in Part III.

4. DXStorm is a reporting issuer in Ontario. DXStorm is a TSX Venture Exchange listed company and trades under the ticker symbol "DXX".

5. Popovic executed 95 trades in DXStorm in 2002. Notwithstanding this, when the proceeding was commenced, Popovic had not filed any section 107(2) reports in respect of those trades.

6. At the relevant time, DXStorm did not have in place a policy dealing with insider trading.

7. As at May 4, 2005, Popovic has filed all reports in respect of the 95 transactions in DXStorm which are now at issue in this proceeding. In addition, the corporate respondent DXStorm has prepared a Code of Conduct, including an Insider Trading and Reporting Policy (the "Code of Conduct") attached as "Schedule "B" to this Agreement. The Code of Conduct has been reviewed by Staff and is, in Staff's view, acceptable. The Code of Conduct will be presented to the DXStorm Board of Directors on Friday, May 6, 2005.

Conduct Contrary to the Public Interest

8. By failing to file insider trading reports as required by section 107(2), Popovic breached Ontario securities law and engaged in conduct contrary to the public interest.

9. By failing to have in place a policy dealing with insider trading, DXStorm engaged in conduct contrary to the public interest.

IV. TERMS OF SETTLEMENT

10. Popovic and DXStorm agree to the following terms of settlement:

(a) pursuant to section 127(1) clause 6 of the Act, Popovic will be reprimanded;

(b) the Commission will make an order under section 127.1 of the Act requiring Popovic to pay $5,500.00 in costs; and

(c) the Commission will make an order pursuant to section 127(1) clause 4 of the Act requiring DXStorm to implement the Code of Conduct appended to this Agreement as Schedule "B".

V. STAFF COMMITMENT

11. If this Settlement Agreement is approved by the Commission, Staff will not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of Popovic and DXStorm in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 15 below.

VI. PROCEDURE FOR APPROVAL OF SETTLEMENT

12. Approval of this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for Tuesday, May 10, 2005, or such other date as may be agreed to by Staff and in accordance with the procedures described in this Settlement Agreement.

13. Staff, Popovic and DXStorm agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the respondents in this matter, and Popovic and DXStorm agree to waive their rights to a full hearing, judicial review, or appeal of the matter under the Act.

14. Staff, Popovic and DXStorm agree that if this Settlement Agreement is approved by the Commission, neither Staff, Popovic nor DXStorm will make any public statement inconsistent with this Settlement Agreement.

15. If Popovic and DXStorm fail to honour the agreement contained in paragraph 10 of this Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Popovic and DXStorm based on the above-noted failure to file section 107(2) reports and to have in place an insider trading policy, and based on the breach of this Settlement Agreement.

16. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or an order in substantially the form attached as Schedule "A" is not made by the Commission, each of Staff, Popovic and DXStorm will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this Settlement Agreement or the settlement negotiations.

17. Whether or not this Settlement Agreement is approved by the Commission, Popovic and DXStorm agree that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VII. DISCLOSURE OF AGREEMENT

18. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission, and forever if, for any reason whatsoever, this Settlement Agreement is not approved by the Commission, except with the written consent of Popovic and DXStorm and Staff or as may be required by law.

19. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission.

VIII. EXECUTION OF SETTLEMENT AGREEMENT

20. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

21. A facsimile copy of any signature shall be as effective as an original signature.

DATED this "5th" day of May, 2005

Signed in the presence of:

"Carr Hatch"
Witness

"Zoran Popovic"
Zoran Popovic

"Carr Hatch"
Witness

"Zoran Popovic"
DXStorm.Com Inc.
I have authority to bind
the corporation

DATED this "5th" day of May, 2005

STAFF OF THE ONTARIO SECURITIES COMMISSION

Per:
"Brian Clarkin per Michael Watson"
Michael Watson
Director, Enforcement Branch

SCHEDULE "A"

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ZORAN POPOVIC AND
DXSTORM.COM INC.

ORDER
(Sections 127 and 127.1)

WHEREAS on March 31, 2005, the Ontario Securities Commission issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") in respect of Zoran Popovic ("Popovic") and DXStorm.Com Inc. ("DXStorm");

AND WHEREAS Popovic and DXStorm entered into a Settlement Agreement with Staff of the Commission dated May ●, 2005 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Notice of Hearing and Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for Popovic and DXStorm and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

(a) pursuant to section 127(1) clause 6 of the Act, Popovic is hereby reprimanded;

(b) pursuant to section 127.1 of the Act Popovic pay $5,500.00, towards the costs of the investigation and this proceeding; and

(c) pursuant to section 127(1) clause 4 of the Act, DXStorm implement the insider trading policy in the attached schedule.

Dated at Toronto this day of May, 2005

_____ _____

_____

SCHEDULE "B"

DXStorm.Com Inc.

Code of Conduct

DXStorm.Com Inc. (the "Company") has adopted this Code of Conduct for its Board of Directors and the members thereof (the "Directors"), for the officers of the Company ("Officers") and for employees of the Company and its subsidiaries ("Employees") to remind Directors, Officers and Employees of their ethical and legal obligations. This Code of Conduct summarizes the values, principles and practices that guide our business conduct. All Directors, Officers and Employees are expected to become familiar with this Code and to apply its guiding principles in the performance of their responsibilities. This Code of Conduct was adopted and approved by the Board of Directors on May 6, 2005.

Ethical Business Conduct

Directors, Officers and Employees must always act honestly and with integrity in all business relationships with employees, customers, suppliers, competitors, potential business partners and governmental officials. Payments made by the Company must be necessary, lawful and properly documented and bribes, favours or "kickbacks" for the purpose of securing business transactions must never be offered or accepted.

Each Director and Officer must act so as to ensure that he or she meets the standard of care imposed under the Business Corporations Act (Ontario) which provides that, in exercising their powers and discharging their duties, every director and officer of a corporation shall:

- Act honestly and in good faith with a view to the best interests of the corporation.
- Exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition, each Director and Officer shall comply with the Business Corporations Act (Ontario), the regulations thereunder, the Company's articles and by-laws and other laws applicable to him or her in his or her capacity as a director or officer.

In fulfilling these responsibilities, Directors, Officers and Employees shall:

- Strive to avoid any conflict of interest in their capacity as Directors or Officers. Should a conflict arise, a Director or Officer shall disclose to the Company and the Board of Directors, on a timely basis, any such conflict, whether resulting from business dealings with the Company, arising in connection with contractual relations to be entered into by the Company, or otherwise.
- Not use for their own benefit, or for the benefit of a third party, any property of the Company or any information they may obtain in their capacity as directors, officers or employees, unless they are duly authorized to do so by the Company. Directors, Officers and Employees shall take the steps necessary to ensure that any proprietary and confidential information of the Company is safeguarded.
- Always act in a manner that will not cause any prejudice or embarrassment to the Company.
- Meet the obligations and responsibilities required under applicable legislation. In particular, Directors, Officers and Employees will ensure that their acts are in compliance with applicable securities legislation.

In particular, Directors, Officers and Employees who are in possession of material information that has not been publicly disclosed by the Company must not trade in the securities of the Company nor provide such information to others or advise or "tip" others to trade in the securities of the Company. Material information is a fact or a change in the business, operations or capital of the Company that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the Company's securities. In other words, material information is information that a reasonable investor would consider to be important in reaching an investment decision. The disclosure of such information must be done only through an appropriate spokesperson of the Company, in an accurate, timely and fair manner, so as to avoid the risk or the appearance of, selective disclosure. Similar restrictions apply in respect of the use of material, non-public information of other corporations and business entities with whom the Company has dealings and of which a Director, Officer or Employee becomes aware. Full particulars of the Company's policies on insider trading are attached hereto as Schedule A.

Additional Obligations of Directors

In addition to the above-noted obligations, Directors in fulfilling their responsibilities shall also:

- Act in the best interests of all the Company's shareholders. If applicable, Directors shall also take into consideration the best interests of other stakeholders.

- Form an independent opinion about any issue that is submitted to them and act accordingly. Directors shall take all reasonable means to satisfy themselves that the decisions approved by the Board are well founded. In this regard, the Directors shall, where appropriate, seek advice from the Company's counsel and its auditor.

Record Keeping and Retention

All financial statements and books, records and accounts of the Company must accurately reflect transactions and events, as well as conforming to legal requirements and accounting principles. Financial and accounting matters must be disclosed in a full, fair, accurate, timely and understandable manner in all reports filed with securities regulators or otherwise publicly released. Concerns or complaints concerning accounting or auditing issues should be directed to a member of the Board of Directors.

Compliance with the Code

It is the responsibility of each Director and Officer to apply the principles set forth in this Code in a responsible manner. Failure to comply may result in disciplinary action up to and including termination of office or employment and legal proceedings, as warranted.

Employees are advised to consult with the Company's President and Officers and Directors and Officers are advised to consult with the Company's counsel, should any questions arise with respect to a proposed course of action.

Schedule "A" DXStorm.Com Inc.

Insider Trading and Reporting Policy

Introduction

The Company and its subsidiaries and their respective directors, officers, employees and others are subject to securities legislation with respect to the preservation of confidential information and certain restrictions on trading in the Company's securities. This Policy has been adopted to protect the Company and its directors, officers and employees. It is essential that everyone understands and complies with this Policy.

1. Offences

1.1 It is an offence for any person in a "**special relationship**" with the Company to purchase or sell any securities of the Company with knowledge of material information that has not been publicly disclosed (herein referred to as "material non-public information").

1.2 It is an offence for the Company or any person in a "**special relationship**" with the Company to inform (or "tip") another person or company of material non-public information with respect to the Company, other than in the necessary course of business.

1.3 The securities laws provide that reports of trades in securities of the Company by an "insider" must be filed with the appropriate regulatory bodies in the manner prescribed. "Insider" is defined as follows;

(a) every director or senior officer of the Company

(b) every director or senior officer of a company that is itself an insider or subsidiary of the Company

(c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company carrying more than 10% of the voting rights attached to all securities of the Company.

Within 10 days after becoming an insider and within 10 days following the purchase or sale of securities of the Company, an insider must complete and file an insider report. The report must be made using the System for Electronic Disclosure by Insiders ("SEDI") which can be found at www.sedi.ca. SEDI is set up to facilitate the filing and public dissemination of "insider reports" in electronic format via the Internet and the SEDI website. Insiders must visit the SEDI site and familiarize themselves with it. Insiders are also encouraged to visit the site of the Ontario Securities Commission found at www.osc.gov.on.ca where valuable and necessary information dealing with the securities laws of Ontario can be found. Please visit both sites. Should you have any questions at all concerning your obligations under this policy or the securities laws please contact the President of the Company or any officer of the Company who will assist you in finding correct answers.

2. Definitions

2.1 "**Material information**" is a fact or a change (or a decision by the board of directors or senior management to implement a change) in the business, operations or capital of the Company that would reasonably be expected to have a significant effect on the market price or value of the Company's securities. In other words, material information is information that a reasonable investor would consider to be important in reaching an investment decision. Some examples of categories of potentially material information are changes in the structure of the Company, changes in financial results, changes in business and operations and changes in credit arrangements. This list of potentially material information is by no means exhaustive. For a longer, but not exhaustive, list of examples of potentially material information and other useful information, please see http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part5/pol_20020712_51-201.jsp

2.2 Persons in a "**special relationship**" with the Company (or as referred to herein, "**Deemed Insiders**") include:

(a) all directors, officers or employees of the Company;

(b) all directors or senior officers of a subsidiary of the Company;

(c) any person or company who beneficially owns or controls more than 10% of the common shares of the Company;

(d) every director or senior officer of a company referred to in (c);

(e) a person or company that is: (i) proposing to make a takeover bid for the shares of the Company; or (ii) proposing to become a party to a reorganization, amalgamation, merger, arrangement, or other business combination with the Company; or (iii) proposing to acquire a substantial portion of the Company's property; (each of (i), (ii), or (iii) is herein referred to as a "Merger Partner"), and every director, officer or employee of a Merger Partner;

(f) a person or company (for example, consultants, advisers, contractors) that is engaging or proposes to engage in any business or professional activity with or on behalf of the Company or a Merger Partner, and every director, officer or employee thereof;

(g) a person or company that learns of material non-public information while the person or company was any of the persons or companies described in (a), (b), (c), (d), (e) or (f); and

(h) a person or company that learns of material non-public information with respect to the Company (a "tippee") from any other person or company in a special relationship with the Company (a "tipper") where the tippee knows or ought reasonably to have known that the tipper is in a special relationship with the Company. This includes a "tippee" who is tipped by a previous "tippee". The significance of clause (h) is that it creates an indefinite chain so that any person who either trades on or discloses material non-public information acquired directly or indirectly from someone "on the inside" will be subject to the criminal and/or civil liabilities described in Section 5 below.

3. Rules of the Company

In light of the restrictions set forth in Part 1 above and the severe penalties under Canadian securities laws for breaching such restrictions, the following rules will apply to all directors, officers and employees of the Company:

3.1 Confidentiality of Non-public Information

Non-public information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden. Care must be taken by all who have access to such information to prevent the unauthorized access to such information. Non-public information must not be discussed in situations where it could be overheard.

3.2 No Tipping

No Deemed Insider shall communicate (or "tip") material non-public information with respect to the Company or any Merger Partner to any other person, including family members, neighbours, friends or acquaintances, nor shall any Deemed Insider make recommendations or express opinions on the basis of material non-public information for the purpose of or in the context of trading in the Company's securities.

3.3 No Trading on Material Non-public Information

No Deemed Insider (including members of his or her immediate family) shall engage in any transaction involving a purchase or sale of the Company's securities with knowledge of any material non-public information concerning the Company. This restriction also applies to trading in the securities of any Merger Partner with knowledge of any material non-public information concerning the Merger Partner.

This restriction applies during any period commencing with the date that the Deemed Insider first possesses material non-public information concerning the Company, and ending at the close of business on the trading day following the date of public disclosure by the Company of such information, or at such time as such non-public information no longer constitutes material information. The term "trading day" means a day on which the stock exchange on which the Company's securities are traded (currently the Toronto Stock Exchange) is open for trading.

4. Implementation and Compliance

4.1 To help ensure that all directors, officers and employees of the Company are in a position to comply with the Rules of the Company set out in Section 3, and to avoid, through inadvertence, any breach or appearance of breach of such Rules, no director, officer or employee will trade in the Company's securities until first advising the President of the Company of such person's intention to trade and obtaining the President's consent thereto. Such consent may be provided verbally by the President but shall be confirmed by the President as soon as possible thereafter in writing or in electronic form. Trading blackout periods will apply to all employees, directors and officers and there will be no trading during a blackout period. The blackout period commences on the first day of the two week period preceding the issuance of the news release disclosing the quarterly results and ends on the second day following the issuance of a news release disclosing the quarterly results. Additional blackout periods may be prescribed from time to time as a result of special circumstances

4.2 Each Deemed Insider has the individual responsibility to comply with this Policy and applicable securities laws. Obtaining the consent of the President as contemplated in Section 4.1 hereof will not relieve a person of their responsibility to comply with this Policy and applicable securities laws. A Deemed Insider may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to complete the transaction before learning of the material non-public information.

5. Penalties

5.1 Failure to comply with this Policy may result in disciplinary action up to and including termination of office or employment with the Company and legal proceedings.

5.2 Trading on material non-public information and tipping are serious offences under Canadian provincial securities laws and persons contravening the rules are subject to:

(a) fines of up to $5 million or triple the profit made or loss avoided, whichever is greater;

(b) imprisonment for up to 5 years; and

(c) the responsibility to compensate the other party to the illegal transaction for damages.

5.3 Where a corporation contravenes the rules, each director or officer of that corporation who authorized, permitted or acquiesced in the offence is also guilty of an offence and is liable to a fine of up to $5 million and/or imprisonment for up to 5 years.

New directors, officers and employees will be advised of this Policy and its importance and this Policy must be brought to the attention of all employees on an annual basis.

It is effective on May 6, 2005 and will be reviewed and updated as required.

3.1.2 Stephen Taub

IN THE MATTER OF
AN APPLICATION FOR A HEARING AND REVIEW OF
DECISIONS OF THE ONTARIO DISTRICT COUNCIL OF THE
INVESTMENT DEALERS ASSOCIATION OF CANADA
PURSUANT TO SECTION 21.7 OF THE SECURITIES ACT, R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
DISCIPLINE PROCEEDINGS PURSUANT TO BY-LAW 20 OF THE
INVESTMENT DEALERS ASSOCIATION OF CANADA

BETWEEN

STAFF OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

AND

STEPHEN TAUB

REASONS AND DECISION

Hearing:	April 2, 2007		
Panel:	Robert L. Shirriff Q.C.	-	Commissioner, Chair of the Panel
	Margot C. Howard	-	Commissioner
	James E. A. Turner	-	Vice-Chair
Counsel:	Robert Brush Abbas Sabur	-	for Stephen Taub, the Applicant
	Andrew P. Werbowski Ricardo Codina	-	for Staff of the Investment Dealers Association, the Respondent
	Yvonne B. Chisholm	-	for Staff of the Ontario Securities Commission

REASONS AND DECISION

I. OVERVIEW

[1] This is an application for a hearing and review of two decisions of the Ontario District Council (the "District Council") of the Investment Dealers Association of Canada (the "Association" or the "IDA") pursuant to section 21.7 of the Ontario *Securities Act*, R.S.O., 1990, c. S.5 (the "Act").

[2] On October 21, 2005, IDA Staff commenced disciplinary proceedings against Stephen Taub (the "Applicant"), alleging various breaches of the Association's by-laws and rules (the "IDA Disciplinary Proceeding"). The Applicant sought a declaration from the District Council that the IDA lacked jurisdiction to proceed against him because he was no longer a member of the Association. IDA Staff sought a preliminary declaration that the District Council lacked jurisdiction to grant the relief sought by the Applicant because it would require the District Council to refuse to apply the Association's by-laws.

[3] The District Council denied the Applicant's motion and granted the relief sought by IDA Staff. The District Council held that the IDA is not a statutory body which exercises a statutory power of decision. The District Council further determined that recognition under the Act does not constitute a conferral of jurisdiction, but merely imposes upon the IDA a duty to regulate.

[4] The Applicant requests this hearing and review before the Ontario Securities Commission (the "Commission") on the basis that:

a) the District Council erred in concluding that the IDA retains jurisdiction over former members; and

b) the District Council erred in concluding that it did not have the jurisdiction to grant the relief requested by the Applicant.

[5] The Applicant takes the position that the Association no longer has jurisdiction to proceed with the IDA Disciplinary Proceeding against him on the basis that he has resigned from his employment in the securities industry, has no intention of returning to work in the industry and is no longer a member of the IDA.

[6] IDA Staff and staff of the Commission ("Commission Staff") argue that the Association's relationship with its members, and the source of its jurisdiction, is contractual. As such, they submit that the Applicant seeks to resile from his contractual commitment by resigning as a member to avoid disciplinary proceedings and effectively preclude the Association from fulfilling its mandate to protect investors and foster integrity of the capital markets.

II. HISTORY OF DISCIPLINARY PROCEEDINGS AGAINST THE APPLICANT

(a) The Applicant

[7] The Applicant first became a registered representative in or about June 1988. He was involved in the securities industry from 1988 to 2004.

[8] In 1995 and in 2001, the Applicant and his respective employers, R. Brant Securities Limited ("Brant") and Research Capital Corporation ("Research"), completed and signed a Uniform Application for Registration/Approval ("the Applications") prior to the Applicant commencing employment as a registered representative with each of Brant and Research.

[9] The Uniform Application provides that it: "is to be used by every individual seeking registration or approval from a Canadian Securities Commission or similar authority and/or self-regulatory organization…"

[10] Under the heading "certificate and agreement of Applicant and Sponsoring Firm", the Applicant and his respective employers certified that the statements in the Uniform Applications were true and correct and undertook to notify the IDA in writing of any material change, as prescribed by any by-law or rule of the Association.

[11] In question 4 of the Applications, the Applicant sought approval from the Association. Further, as indicated in the Applications, the Applicant and his sponsoring member firms agreed as follows:

> We agree that we are conversant with the by-laws, rulings, rules and regulations of the self-regulatory organizations listed in question 4.
>
> We agree to be bound by and to observe and comply with them as they are from time to time amended or supplemented and we agree to keep ourselves fully informed about them as so amended and supplemented. We submit to the jurisdiction of the self-regulatory organizations and, wherever applicable, the governors, directors and committees thereof, and we agree that any approval granted pursuant to this application may be revoked, terminated or suspended at any time in accordance with the then applicable by-laws, rulings, rules and regulations.

[12] The Applications were approved by the Association. Until September 2004, the Applicant was employed in the investment industry, was a member of the IDA and received all of the benefits of being a member of the IDA.

[13] In or about September 2004, the Applicant ceased being a registered representative and a member of the IDA. The Applicant has not been registered with the IDA since that time and has indicated that he has no intention of returning to an occupation regulated by the IDA or to be a member of the IDA.

(b) Decisions Under Review

[14] IDA Staff commenced disciplinary proceedings against the Applicant on October 21, 2005, alleging various breaches of the Association's by-laws and rules. The original set-date appearance occurred on November 25, 2005 before the District Council, at which time a five week hearing was scheduled to commence on September 26, 2006.

[15] IDA Staff alleged that, from November 1998 to June 2003, the Applicant contravened IDA By-law 29.1 by, among other things, facilitating "trading activity that appeared to be or was consistent with market manipulation or deception" and "circumventing" IDA and SEC rules by opening accounts and accepting orders from clients outside his jurisdiction of registration."

[16] An order setting out a timetable for various procedural matters was made, on consent of the parties, at a pre-hearing conference on February 21, 2006. The order included a provision that the Applicant would deliver his response to the Notice of Hearing by a certain date.

[17] On March 24, 2006, IDA Staff served a motion record seeking an order allowing an amendment to the original Notice of Hearing.

[18] On June 8, 2006, IDA Staff served a motion record seeking an order requiring the Applicant to deliver forthwith his response in the IDA Disciplinary Proceeding because he had not complied with the consent order requiring that he file his response by a certain date.

[19] On June 12, 2006, the Applicant brought a motion seeking a declaration that the IDA lacked jurisdiction to proceed against him because he was no longer a member of the Association.

[20] On June 15, 2006, IDA Staff delivered a responding motion record to the Applicant's motion.

[21] On June 19, 2006, IDA Staff brought a motion seeking a preliminary declaration that the District Council lacked jurisdiction to grant the relief sought by the Applicant.

[22] The procedural motions were heard on June 25, 2006. On consent, IDA Staff's motions to amend the original Notice of Hearing and to require a response from the Applicant in the IDA Disciplinary Proceeding were adjourned. The District Council denied the Applicant's motion and granted the declaratory relief sought by IDA Staff.

[23] The Applicant seeks a review of these two decisions.

III. ISSUES

[24] The issues that we have to determine in this hearing and review are:

1. What is the standard of review applied by the Commission in reviewing a decision of the IDA?

2. Did the District Council err in concluding that the IDA retains jurisdiction over former members?

3. Did the District Council err in concluding that it did not have the jurisdiction to grant the relief requested by the Applicant?

IV. ANALYSIS

1. What is the standard of review?

[25] The parties agree that the Commission may substitute its decision for that of the District Council, if it is satisfied that the District Council erred in law.

[26] The Act specifically provides a mechanism for review by the Commission of a decision of a recognized self-regulatory organization ("SRO") such as the IDA. Section 21.7 of the Act reads as follows:

> 21.7 (1) The Executive Director or a person or company directly affected by, or by the administration of, a direction, decision, order or ruling made under a by-law, rule, regulation, policy, procedure, interpretation or practice of a recognized stock exchange, recognized self-regulatory organization, recognized quotation and trade reporting system or recognized clearing agency may apply to the Commission for a hearing and review of the direction, decision, order or ruling.
>
> (2) Section 8 applies to the hearing and review of the direction, decision, order or ruling in the same manner as it applies to a hearing and review of a decision of the Director.

[27] The Act also provides that the Commission may confirm the decision under review or make such other decisions it considers proper. Subsection 8(3) of the Act reads as follows:

> 8(3) Upon a hearing and review, the Commission may by order confirm the decision under review or make such other decision as the Commission considers proper.

[28] Where the basis of the application is a decision of a recognized stock exchange, recognized SRO or similar body pursuant to section 21.7 of the Act, the Commission will accord deference to factual determinations central to the SRO's specialized competence. (*Re Shambleau* (2002), 25 O.S.C.B. 1850 at 1852; aff'd (2003), 26 O.S.C.B. 1629 (Ont. Div.Ct.)).

[29] The Commission has previously held that by reason of subsection 21.7(2) of the Act, the Commission exercises original jurisdiction (as opposed to a limited appellate jurisdiction) when exercising its powers of review under subsection 21.7(1) of the Act. (*In the Matter of an Application for a Hearing and Review of Decisions of the Ontario District Council of the IDA, Re: Dimitrios Boulieris* (2004), 27 O.S.C.B. 1597 at para. 28; aff'd [2005] O.J. No. 1884 (Ont. Div. Ct.) ["*Boulieris*"]).

[30] The Commission is, therefore, free as a legal matter to substitute its judgment for that of the District Council. (*Security Trading Inc. and the Toronto Stock Exchange* (1994), 17 O.S.C.B. 6097 at 6105 ["*Security Trading Inc.*"]; *BioCapital Biotechnology and Healthcare Fund and BioCapital Mutual Fund Management Inc.* (2001), 24 O.S.C.B. 2659 at 2662; and *Re Boulieris*, *supra* at paras. 29-30.)

[31] In this regard, such a hearing and review may be considered broader in scope than an appeal, which is usually limited to determining whether there has been an error in law or whether a rule of natural justice has been contravened.

[32] However, in practice, the Commission takes a more restrained approach to appeals under subsection 21.7(1) of the Act. The Commission will interfere with a decision of an SRO only if one of the following grounds are present:

1. the SRO has proceeded on an incorrect principle;

2. the SRO has erred in law;

3. the SRO has overlooked some material evidence;

4. new and compelling evidence is presented to the Commission that was not presented to the SRO; or

5. the SRO's perception of the public interest conflicts with that of the Commission.

(*Re Canada Malting* (1986), 9 O.S.C.B. 3565 at 3587; *Security Trading Inc.*, *supra* at 6105; and *Re Boulieris*, *supra* at para. 31).

[33] The Commission will not substitute its own view for that of an SRO just because the Commission might have reached a different conclusion in the particular circumstances.

[34] The Applicant has appealed the decisions of the District Council on the basis that the District Council erred in law in making those decisions. As a result, we will interfere with the decision of the District Council in the circumstances before us, only if we determine that the District Council erred in law.

2. Did the District Council err in law in concluding that the IDA retains jurisdiction over former members?

(a) Submissions of the Applicant

[35] The Applicant agreed with IDA Staff and Commission Staff that the IDA is not a statutory body which was created by enabling legislation. The Applicant also conceded that the IDA derives its authority from the contractual commitment of its members to abide by its by-laws, rules, regulations, and other regulatory requirements.

[36] The Applicant argued, however, that this contractual relationship cannot be used to extend the IDA's jurisdiction as a recognized SRO beyond the limits imposed by the Act.

[37] The Applicant submitted that Part VIII of the Act creates a "special category" of SRO in Ontario by permitting organizations such as the IDA to apply to the Commission for recognition under section 21.1 of the Act. The IDA sought and received recognition by the Commission as a self-regulatory organization. By opting into the statutory scheme established under Part VIII of the Act, the IDA "linked" its activities to a statutory securities scheme and, in doing so, submitted to the jurisdiction of the Act and gave up exclusive control over the conduct of its affairs and the nature of its regulatory functions.

[38] The Applicant submitted that recognition by the Commission, and in particular the effect of subsection 21.1(3) of the Act, effectively limits and restricts the Association's pre-existing contractual jurisdiction. Citing section 21.6 of the Act, the Applicant submitted that a recognized SRO can only impose requirements that are within its jurisdiction. As such, any by-law, rule, regulation, or other regulatory requirement of a recognized SRO that is not in compliance with the jurisdictional limits imposed by s. 21.1(3) of the Act is of no force or effect. According to the Applicant, By-law 20.7, by seeking to extend the Association's jurisdiction to former members, is *ultra vires* its powers and hence unenforceable.

[39] The Applicant relied heavily upon the decision of the Ontario Court of Appeal in *Chalmers v. Toronto Stock Exchange* (1989), 70 O.R. (2d) 532 ["*Chalmers*"] as authority to interpret the language used by the Legislature in s. 21.1(3) of the Act. In *Chalmers*, the Toronto Stock Exchange (the "TSE") had commenced proceedings against a former registered representative as a result of conduct that occurred while he was employed by a member firm. The Court of Appeal was asked to determine whether a by-law passed by the TSE that purported to give it jurisdiction over former members and former employees of members was contrary to section 10(1) of the *Toronto Stock Exchange Act, 1982*, S.O. 1982, c. 27, which stated:

> 10(1) For the purposes of the object of the Corporation, the board of directors has the power to govern and regulate,
>
> […]

> (c) the business conduct of members and other persons authorized to trade on the exchange and of their employees and agents and other persons associated with them in the conduct of business […]

[40] In interpreting this section, the Court of Appeal noted that the TSE is a creature of statute, taking its existence from the *Toronto Stock Exchange Act*. The court held that there was nothing in the statute which authorized the TSE to regulate persons who are former members or employees. Therefore, the by-law which purported to extend the jurisdiction of the TSE to former employees of a member for a period of twelve months from the date of their resignation was not compatible with the TSE's enabling statute and was *ultra vires* and of no force and effect. The Applicant also referred us to the decision of the Saskatchewan Financial Services Commission ("SFSC") in *Wade Douglas MacBain, Karl Edward Newfeld and Frederick Henry Smith and the Investment Dealers Association* (February 6, 2006) ["*MacBain*"]. In *MacBain*, the SFSC followed *Chalmers* and held that the Association had no statutory authority to regulate former members and that any by-law purporting to do so was *ultra vires* its powers.

[41] By way of comparison, the Applicant also referred us to subsection 64(5) of the Alberta *Securities Act*, R.S.A. 2000, c. S-4. Subsections 64(4) and (5) read as follows:

> 64(4) A recognized self-regulatory organization shall regulate the operations and the standards of practice and business conduct of its members and their representatives in accordance with the by-laws, rules, regulations, policies, procedures, interpretations and practices of the self-regulatory organization.
>
> (5) The authority of a self-regulatory organization to regulate the operations and the standards of practice and business conduct of its members and their representatives under subsection (4) extends to:
>
> (a) any former member,
>
> (b) any former representative of a member, and
>
> (c) any former representative of a former member,
>
> with respect to that person's operations and conduct while a member of the self-regulatory organization or a representative of a member of the self-regulatory organization.

[42] The Applicant submitted that unlike the language used in the Alberta legislation, the plain and ordinary meaning of subsection 21.1(3) of the Act cannot be interpreted as extending the jurisdiction of recognized SROs to former members. Absent explicit language to that effect, the Applicant submitted that the Commission is bound by the decision of the Court of Appeal in *Chalmers*.

(b) Submissions of IDA Staff

[43] IDA Staff argued that the District Council correctly determined that the jurisdiction of the IDA is contractual, not statutory, and that recognition by the Commission does not limit the Association's ability to regulate former members in accordance with its by-laws. IDA Staff distinguished the *Chalmers* decision on the basis that the Association has no enabling statute like the *Toronto Stock Exchange Act* which created and empowered the IDA. Since the Association is not a statutory body, its by-laws cannot be *ultra vires* an enabling statute.

[44] IDA Staff submitted that subsection 21.1(3) of the Act does not limit the Association's jurisdiction to current members. That provision merely imposes a duty on recognized SRO's to "regulate the operations and standards of practice and business conduct of its members and their representatives in accordance with its by-laws, rules, regulations, policies, procedures, interpretations and practices". This is precisely what the Association has done. By-law 20.7 expressly enables the Association to regulate former members for the five year period following resignation or termination of membership, and is not inconsistent with subsection 21.1(3) of the Act.

[45] IDA Staff also submitted that interpreting subsection 21.1(3) in the manner suggested by the Applicant would have the result of allowing members and their representatives to reap the benefits of membership in the Association while retaining the ability to avoid sanctions for any misconduct by simply resigning before disciplinary proceedings are commenced. Such an interpretation, in the submission of IDA Staff, would undermine the Association's ability to discipline its members and would be inconsistent with its stated policy to protect the public interest.

[46] Finally, IDA Staff noted that, in submitting the Applications, the Applicant has agreed to a contractual relationship that gives the Association jurisdiction over his conduct. Accordingly, the Applicant agreed to be bound by, comply with and observe the by-laws, rules, regulations and other regulatory requirements of the Association. IDA Staff submitted that the Applicant's position on this appeal is inconsistent with that agreement.

(c) Submissions from Commission Staff

[47] Commission Staff submitted that the Ontario Court of Appeal has clearly recognized that the source of the IDA's jurisdiction and authority is contractual. Recognition of the IDA as an SRO by the Commission pursuant to section 21.1 does not alter the source of the IDA's jurisdiction or authority, nor the nature of its relationship with its members. The IDA's ability to proceed against former members is grounded in its contractual relationship with those members, as defined by its by-laws, rules, regulations and other regulatory requirements and is a proper exercise of its jurisdiction.

[48] Commission Staff distinguished the *Chalmers* decision on the basis that the TSE's authority is based on its enabling legislation, the *Toronto Stock Exchange Act*, while the source of the IDA's jurisdiction and authority is contractual and not determined by statute. Commission Staff submitted that the *Chalmers* decision hinged on a conflict between an enabling statute and a by-law created by an SRO. Since the Association is not a statutory body, no such conflict exists in the matter before us.

(d) Legal Analysis

[49] The source of the IDA's authority has been canvassed by several provincial appellate courts and is now well-settled. The IDA is not a statutory body and does not exercise a statutory power of decision. The IDA's authority derives from its by-laws, rules, regulations and other regulatory requirements to which members agree as a contractual matter when they obtain membership.

[50] The authority of the IDA was confirmed in *Ripley v. Investment Dealers Association*, [1991] N.S.J. No. 452 (N.S.C.A.) (QL) at 6, where the Nova Scotia Court of Appeal held that:

> The Investment Dealers Association (IDA), as explained at some length in the appellant's factum, is an unincorporated association which oversees the investment and brokerage business in Canada, serving as the professional organization of, and regulating, member brokerage houses and their employees. It is not specifically empowered under any statute, although its existence is recognized in some securities legislation. It has its own constitution, by-laws and regulations to which its members bind themselves by contract to comply. The IDA establishes requirements for capitalization, procedures for purchase, sale and registration of securities for clients, audit procedures and other matters that govern the internal and external operations of national and local investment firms. The IDA also sets standards of qualifications for, and for the discipline of, persons engaged in the industry. Its authority does not extend to regulating the actual issuance of securities: that is vested in provincial securities commissions and the various stock exchanges sold. The sale of securities is regulated by statute in all Provinces. It is the persons and the firms who sell the securities that are regulated by the IDA.

[51] Likewise, in *Morgis v. Thomson Kernaghan & Co.* (2003), 65 O.R. (3d) 321 at para. 10, the Ontario Court of Appeal used similar language to describe the Association's authority:

> Membership in the IDA is voluntary. It is based on the contractual commitment of members to abide by the constitution, regulations, rules and by-laws of the association. The IDA is not created by and does not derive its authority from statute. Rather, it operates under the authority of its own constitution and is recognized under some securities legislation.

[52] Section 21.1 of the Act empowers the Commission to recognize an SRO if the Commission is satisfied that it is in the public interest to do so. A recognized SRO is required to "regulate the operations and standards of practice and business conduct of its members and their representatives in accordance with its by-laws, rules, regulations, policies, procedures, interpretations and practices." Section 21.1 of the Act provides in part:

> 21.1 (1) The Commission may, on the application of a self-regulatory organization, recognize the self-regulatory organization if the Commission is satisfied that to do so would be in the public interest.
>
> […]
>
> (3) A recognized self-regulatory organization shall regulate the operations and the standards of practice and business conduct of its members and their representatives in accordance with its by-laws, rules, regulations, policies, procedures, interpretations and practices.
>
> (4) The Commission may, if it is satisfied that to do so would be in the public interest, make any decision with respect to any by-law, rule, regulation, policy, procedure, interpretation or practice of a recognized self-regulatory organization.

[53] The Commission recognized the IDA as a self-regulatory organization under section 21.1 of the Act on December 14, 1994. This recognition was subsequently renewed by the Commission for the period up to and after October 31, 1995. The recitals to the initial recognition included the following:

> WHEREAS the IDA is an unincorporated association in which membership is voluntary. It has approximately 111 investment dealers as members, all of whom, to the extent they trade in securities or act as underwriters in Ontario, are registrants under the Act and are subject to the regulatory oversight of the Commission. The IDA represents its members and is organized for the purpose of regulating the operations and the standards of practice and business conduct of its members and their representatives with a view to promoting the protection of investors and the public interest. The IDA regulates the conduct of its members and their trading in securities through rules set forth in its by-laws and regulations.

(*In the Matter of the Investment Dealers Association of Canada* (1994), 17 O.S.C.B. 5961).

[54] In *Morgis*, the Court of Appeal found that the terms and conditions of the recognition "vest considerable supervisory control of the IDA in the Commission." Among other things, the terms and conditions of recognition "require the IDA to enforce compliance by its members with the rules of the IDA, as a matter of contract and without prejudice to any discipline by the Commission under Ontario securities law." In commenting on the effect of the Commission recognizing the IDA as a self-regulatory organization under the Act, the court observed the following:

> […] The IDA's relationship with the Commission and its recognition as a self-regulatory organization under s. 21.1 of the Act link its activities to a statutory securities scheme which, under s. 1.1 of the Act, is designed to provide protection to all investors in Canada from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets… those factors inform the analysis of the IDA's status and duties as a regulator, notwithstanding that its relationship with its members is contractual in nature.

(*Morgis*, *supra* at paras 12 and 32).

[55] According to its constitution, the IDA's public interest mandate is to adopt and promote high standards of business conduct among its members and, once established, to enforce compliance with those standards. The constitution of the Association includes the following objects:

> 2. […]
>
> (b) To encourage through self-discipline and self-regulation a high standard of business conduct among Members and their partners, directors, officers and employers and to adopt, and enforce compliance with, such practices and requirements as may be necessary and desirable to guard against conduct contrary to the interests of Members, their clients or the public;
>
> (c) To establish, and enforce compliance with, standards and requirements relating to capital market participants for the protection of Members, their clients and the public;
>
> […]

(IDA Rule Book, *Constitution*, section 2).

[56] The Act expressly provides that in carrying out its function as a recognized SRO, the IDA may impose additional requirements within its jurisdiction provided it does not contravene Ontario securities law. Section 21.6 of the Act provides as follows:

> 21.6 No by-law, rule, regulation, policy, procedure, interpretation or practice of a recognized stock exchange, recognized self-regulatory organization, recognized quotation and trade reporting system or recognized clearing agency shall contravene Ontario securities law, but a recognized stock exchange, recognized self-regulatory organization, recognized quotation and trade reporting system or recognized clearing agency may impose additional requirements within its jurisdiction.

[57] This is precisely what the IDA has done. By-law 20.7 expressly provides for the IDA's continuing jurisdiction over former members for a period of 5 years from cessation of membership:

> (1) For the purposes of By-law 19 and By-law 20, any Member and any Approved Person shall remain subject to the jurisdiction of the Association for a period of five years from the date on which such Member or Approved Person ceased to be a Member or an Approved Person of the Association, subject to subsection (2).
>
> (2) An enforcement hearing under Part 10 of this by-law may be brought against a former Approved Person who re-applies for approval under Part 7 of this by-law, notwithstanding expiry of the time period set out in subsection (1).

> (3) An Approved Person whose approval is suspended or revoked or a Member who is expelled from membership or whose rights or privileges are suspended or terminated shall remain liable to the Association for all amounts owing to the Association.
>
> (IDA Rule Book, *By-laws*, By-law 20.7).

We do not agree with the Applicant that this provision is beyond the jurisdiction of the IDA as a result of section 21.6.

[58] As a recognized SRO, the IDA may adopt by-laws that are binding on the Association's members. The enactment of the IDA's constitution and By-law 20.7 is within the jurisdiction of the Association to govern its members and is grounded in its contractual relationship with them. This power to impose additional requirements is expressly recognized in section 21.6 of the Act. In our view, section 21.6 does not limit or restrict what by-laws, rules, regulations or other regulatory requirements the IDA may adopt, provided such provisions do not contravene Ontario securities laws. In our view, By-law 20.7 does not contravene Ontario securities laws.

[59] We reject the Applicant's submission that the Court of Appeal's decision in *Chalmers* applies in these circumstances. In our view, the application of *Chalmers i*s restricted to domestic tribunals that are created and governed by enabling legislation. As was observed by the appellate courts in both *Ripley* and *Morgis*, the IDA is an unincorporated association. Unlike the TSE, the IDA does not depend upon a statute for its existence or powers. The Association through its by-laws, rules, regulations and other regulatory requirements establishes a regulatory framework to which each of its members agrees by contract. Unlike *Chalmers*, the by-laws of the IDA are not ultra vires an enabling statute. Accordingly, we distinguish the conclusions in *Chalmers* and we do not follow the conclusions in *MacBain*.

[60] As stated above, section 21.1 of the Act requires the IDA to "regulate the operations and standards of practice and business conduct of its members and their representatives in accordance with its by-laws, rules, regulations, policies, procedures, interpretations and practices". Section 21.1 does not in any way attempt to define or restrict the provisions of such by-laws, rules, regulations or other regulatory requirements. To the contrary, the recognition of the IDA, in the words of Justice Cronk in *Morgis*, simply "inform[s] the analysis of the IDA's status and duties as a regulator, notwithstanding that its relationship with its members is contractual in nature" (*Morgis*, *supra* at para. 32).

[61] In signing the Applications, the Applicant and his sponsoring firm submitted to the jurisdiction of the IDA and agreed to the by-laws, rules, regulations and other regulatory requirements of the Association. By-law 20.7 provides that the Association shall have continuing jurisdiction over former members in investigative and disciplinary proceedings for a period of five years following cessation of membership. In our view, the fact that the Applicant resigned from the Association does not bar the IDA from taking disciplinary proceedings against him under its by-laws. Accordingly, there is no error in law which would warrant the Commission overturning the decisions of the District Council.

[62] We would also add that the by-laws, rules, regulations and other regulatory requirements of the IDA constitute part of the fabric of securities regulation in this province and that it would be contrary to the public interest to allow the Applicant to avoid such regulation by simply resigning his membership in the IDA. We also agree with the submissions of IDA Staff referred to in paragraph 45 of these reasons, that the interpretation advanced by the Applicant would undermine the Association's ability to discipline its members and would be inconsistent with its obligations to protect the public interest.

[63] In view of our decision, it is unnecessary for us to determine whether the District Council erred in concluding that it did not have jurisdiction to grant the relief requested by the Applicant.

V. CONCLUSION

[64] In conclusion, we find that the IDA has made no error in law which would warrant the Commission interfering with the decision of the District Council in this matter. Accordingly, the Applicant's application is dismissed.

DATED at Toronto this 17th day of May, 2007.

"Robert L. Shirriff"

"Margot C. Howard"

"James E. A. Turner"

3.1.3 Nortel Networks Corporation and Nortel Networks Limited

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
NORTEL NETWORKS CORPORATION AND
NORTEL NETWORKS LIMITED
(collectively, "Nortel")

SETTLEMENT AGREEMENT
BETWEEN STAFF OF THE
ONTARIO SECURITIES COMMISSION AND NORTEL

I. INTRODUCTION

1. On May 16, 2007, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c.. S.5, as amended (the "Act") to consider this Settlement Agreement between Staff of the Commission ("Staff") and Nortel.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff agree to recommend settlement of the proceeding against Nortel in accordance with the terms and conditions set out below (the "Settlement"). Nortel consents to the making of an order against it in the form attached as Schedule "A" based on the facts set out in Part III of this Settlement Agreement.

III. STATEMENT OF FACTS

3. For the purpose of this Settlement only, Nortel agrees with the facts set out in this Part III.

4. Staff and Nortel agree that the facts set out in this Part III for the purposes of this Settlement are without prejudice to Nortel in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the Commission under the Act (subject to paragraph 81) or any civil, criminal or other proceedings currently pending or which may be brought by any other person or agency. Without limiting the generality of the foregoing sentence, Nortel expressly denies that this Settlement Agreement is intended to be an admission of civil or criminal liability by Nortel and Nortel expressly denies any such admission of civil or criminal liability.

5. All dollar amounts referred to herein, unless otherwise stated, are in U.S. dollars and, unless otherwise stated, all references to financial results are to Nortel Networks Corporation's results reported in its consolidated financial statements for the relevant period prepared under generally accepted accounting principles ("GAAP") in the United States ("U.S. GAAP").

A. The Respondents

6. Nortel Networks Corporation ("NNC") is a reporting issuer in Ontario and its shares are listed on both the Toronto and New York stock exchanges under the symbol "NT".

7. Nortel Networks Limited ("NNL") is the principal direct operating subsidiary of NNC. NNL is a reporting issuer in Ontario and its preferred shares are listed on the Toronto Stock Exchange under the symbol "NTL". All of NNL's issued and outstanding common shares are held by NNC.

8. The principal executive offices of NNC and NNL (collectively referred to herein as "Nortel" or the "Company") are located in Toronto, Ontario.

B. Overview of Agreed Facts

9. The conduct at issue relates to Nortel's financial results for the fiscal year ended December 31, 2000, the third and fourth quarters of 2002 and the first and second quarters of 2003. These time periods are referred to herein individually as the "Relevant Fiscal Periods" and collectively as the "Material Time".

10. For each of the Relevant Fiscal Periods, each of NNC and NNL prepared and filed with the Commission two sets of financial statements which were represented to have been prepared either in accordance with U.S. GAAP or GAAP in Canada ("Canadian GAAP"), as the case may be.

11. During the Material Time, the emphasis by former members of Nortel's senior corporate finance management on meeting revenue and/or earnings targets led to a culture within the finance organization of Nortel that condoned two types of inappropriate accounting practices (described in paragraphs 13 and 14 below), which did not comply with applicable GAAP and were contrary to the public interest.

12. Further, during the Material Time, Nortel failed to implement appropriate internal controls and procedures to identify, monitor, control and fully disclose the accounting practices described in paragraphs 13 and 14 below, which failure was contrary to the public interest.

(i) Revenue Recognition

13. During the 2000 fiscal year, former Nortel senior corporate finance management inappropriately changed Nortel's accounting policies several times either to recognize revenue prematurely or to defer the recognition of revenue to a subsequent period. After changing internal accounting policies, these same senior corporate finance managers did not understand the relevant U.S. GAAP requirements, misapplied these U.S. GAAP requirements and, in certain circumstances, "turned a blind eye" to these U.S. GAAP requirements. As a result, revenue was recognized for numerous transactions for the fiscal year ended December 31, 2000 in a manner not in accordance with U.S. GAAP. This conduct was driven by the need to close the gap between actual and targeted revenue and earnings.

(ii) Provisioning

14. During the third and fourth quarters of 2002 and the first and second quarters of 2003, former Nortel corporate and finance management (who have since been terminated for cause) endorsed, and finance employees carried out, accounting practices relating to the recording and release of certain accrued liabilities and provisions that were not in accordance with U.S. GAAP or Canadian GAAP. In three of those four quarters, these practices were undertaken to meet internally imposed pro forma earnings before taxes targets. While the dollar amount of most of the individual provisions was relatively small, the aggregate value of the provisions made the difference between a profit and a loss, on a pro forma basis, in the fourth quarter of 2002 and the difference between a loss and a profit, on a pro forma basis, in the first and second quarters of 2003. The pro forma calculation was used by the Company to make its determination on whether to award various bonuses under bonus plans that provided for payments tied to a pro forma profitability metric.

15. Nortel admits that these inappropriate accounting practices and the absence of effective internal control over its financial reporting contributed to the issuance of financial statements by the Company during the Material Time that were not in compliance with U.S. GAAP and/or Canadian GAAP. As a result of these practices and internal control deficiencies, Nortel was required to restate its publicly disclosed U.S. GAAP and Canadian GAAP financial statements for the Relevant Fiscal Periods and other fiscal periods as described herein.

C. The Restatements

(i) First Restatement

16. In May 2003, Nortel commenced certain balance sheet reviews at the direction of certain former members of management that led to a review and analysis of the Company's assets and liabilities (the "Balance Sheet Review").

17. The objectives of the Balance Sheet Review were reported to be to: (i) identify balance sheet accounts that, as at June 30, 2003, were not supportable and required adjustment; (ii) determine whether such adjustments related to the third quarter of 2003 or prior periods; and (iii) document certain account balances in accordance with Nortel's accounting policies and procedures.

18. The Balance Sheet Review was supplemented by additional procedures carried out between July and November 2003 to quantify the effects of potential adjustments and review the appropriateness of releases of certain contractual liability and other related provisions (also called accruals, reserves or accrued liabilities) in the six fiscal quarters ending with the fiscal quarter ended June 30, 2003.

19. The Balance Sheet Review, as supplemented, resulted in the restatement (effected in December 2003) of Nortel's consolidated financial statements for the years ended December 31, 2002, 2001 and 2000 and for the quarters ended March 31, 2003 and June 30, 2003 (the "First Restatement").

20. The net effect of the adjustments made to NNC's financial statements in the First Restatement was a reduction in accumulated deficit of $497 million, $178 million and $31 million as at December 31, 2002, 2001 and 2000, respectively. Among the adjustments made as part of the First Restatement, approximately $935 million and $514 million of certain liabilities (primarily accruals and provisions) carried on NNC's previously reported consolidated balance sheet as at December 31, 2002 and 2001, respectively, were released to income in prior periods.

21. On December 23, 2003, each of NNC and NNL filed with the United States Securities and Exchange Commission (the "SEC") its amended Annual Report on Form 10-K/A for the year ended December 31, 2002 and amended Quarterly Reports on Form 10-Q/A for the quarters ended March 31, 2003 and June 30, 2003 reflecting the First Restatement. On the same date, these same documents, together with the corresponding filings represented to have been prepared in accordance with Canadian GAAP, were filed with the Commission.

22. In conjunction with the First Restatement, Nortel's external auditors, Deloitte & Touche LLP ("D&T"), informed the Audit Committee that there were two "reportable conditions", each of which constituted a "material weakness" in Nortel's internal control over financial reporting (as such terms were formerly defined under standards established by the American Institute of Certified Public Accountants (the "AICPA"), which were applicable with respect to 2003). These reportable conditions, which were disclosed in NNC's and NNL's Quarterly Reports on Form 10-Q for the quarter ended September 30, 2003 filed with the SEC and the Commission in November 2003, were as follows:

    (i) lack of compliance with established Nortel procedures for monitoring and adjusting balances relating to certain accruals and provisions, including restructuring charges; and

    (ii) lack of compliance with established Nortel procedures for appropriately applying U.S. GAAP to the initial recording of certain liabilities, including those described in Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies" ("SFAS No. 5"), and to foreign currency translation as described in SFAS No. 52, "Foreign Currency Translation" ("SFAS No. 52").

    These material weaknesses contributed to the need for the First Restatement.

(ii) Independent Review

23. In late October 2003, the Audit Committees of the Boards of Directors of NNC and NNL (collectively, the "Audit Committee") initiated an independent review of the facts and circumstances leading to the First Restatement (the "Independent Review"), and engaged the law firm Wilmer Cutler Pickering Hale and Dorr LLP ("WilmerHale") to advise it in connection with the Independent Review. WilmerHale retained Huron Consulting Services LLC ("Huron") to provide expert accounting assistance.

24. Through the Independent Review, the Audit Committee sought to gain a full understanding of the events that caused significant excess liabilities to be maintained on Nortel's balance sheet that needed to be restated, and to recommend that the Boards of Directors of NNC and NNL (collectively, the "Board") adopt, and direct management to implement, necessary remedial measures to address personnel, controls, compliance and discipline.

25. The Independent Review focused initially on events relating to the establishment and release of contractual liability and other related provisions in the second half of 2002 and the first half of 2003, including the involvement of the Company's senior corporate leadership. As the review evolved, its focus was broadened to include specific provisioning activities in each of the Company's business units and geographic regions and was expanded to include provisioning activities in the third and fourth quarters of 2003.

26. Based on periodic reports by WilmerHale on the progress of the Independent Review, the Audit Committee recommended, and the Board approved, the termination for cause in April 2004 of Frank Dunn ("Dunn"), the Company's former President and Chief Executive Officer, Douglas Beatty ("Beatty"), the Company's former Chief Financial Officer, and Michael Gollogly ("Gollogly"), the Company's former Controller, and in August 2004 of seven additional senior finance employees with significant responsibility for Nortel's financial reporting as a whole or for their respective business units and geographic regions.

27. In January 2005, the Audit Committee reported to the Board the findings of the Independent Review as set forth in a document entitled "Summary of Findings and of Recommended Remedial Measures of the Independent Review" submitted to the Audit Committee by WilmerHale and Huron (the "Independent Review Summary"). The Audit Committee adopted the findings of the Independent Review and the recommended remedial measures set forth in the Independent Review Summary in their entirety. The Independent Review Summary was appended, in its entirety, to a press release issued by Nortel on January 11, 2005 and filed with the Commission and was reproduced, in its entirety, in NNC's and NNL's Annual Reports on Form 10-K for the year ended December 31, 2003 (collectively, the "2003 Annual Report") filed with the SEC and the Commission in January 2005.

28. The Independent Review concluded that former corporate management (who had been terminated for cause) and former finance management in Nortel's Finance organization (who had also been terminated for cause) endorsed, and employees carried out, accounting practices relating to the recording and release of provisions that were not in compliance with U.S. GAAP in at least four quarters, including the third and fourth quarters of 2002 and the first and second quarters of 2003. In three of those four quarters – when Nortel was at, or close to, break even – these practices were undertaken to meet internally imposed pro forma earnings before taxes ("EBT") targets. While the dollar value of most of the individual provisions was relatively small, the aggregate value of the provisions made the difference between a profit and a reported loss, on a pro forma basis, in the fourth quarter of 2002 and the difference between a loss and a reported profit, on a pro forma basis, in the first and second quarters of 2003. This conduct caused Nortel to report a loss in the fourth quarter of 2002 and to pay no employee bonuses, and to achieve and maintain profitability in the first and second quarters of 2003, which, in turn, caused it to pay bonuses to all Nortel employees and significant bonuses to senior management under bonus plans tied to a pro forma profitability metric.

29. Nortel admits that the inappropriate accounting practices referred to above relating to the recording and release of provisions, and discussed more fully in the Independent Review Summary, were also not in compliance with Canadian GAAP.

30. The findings of fact set forth in the Independent Review Summary, attached hereto as Schedule "B", are expressly incorporated in Part III of this Settlement Agreement.

31. At the request of the Audit Committee, the Independent Review Summary also set forth governing principles for remedial measures recommended by WilmerHale. The recommendations were directed at:

    (i) establishing standards of conduct to be enforced through appropriate discipline;

    (ii) infusing strong technical skills and experience into the Finance organization;

    (iii) requiring comprehensive, on-going training on increasingly complex accounting standards;

    (iv) strengthening and improving internal controls and processes;

    (v) establishing a compliance program throughout the Company which is appropriately staffed and funded;

    (vi) requiring management to provide clear and concise information, in a timely manner, to the Board to facilitate its decision-making; and

    (vii) implementing an information technology platform that improves the reliability of financial reporting and reduces opportunities for manipulation of results.

32. The Audit Committee recommended, and the Board approved, the adoption of all of the recommendations contained in the Independent Review Summary. The Board directed management to develop a detailed plan and timetable for the implementation of these recommendations, the results of which are described in Schedule "C" attached hereto.

(iii) Second Restatement

33. As the Independent Review progressed, the Audit Committee directed Nortel's new corporate management to examine in depth the concerns identified by WilmerHale regarding provisioning activity. That examination, and other errors identified by management including errors relating to revenue recognition, led to the restatement of Nortel's financial statements for the years ended December 31, 2002 and 2001 and the quarters ended March 31, 2003 and 2002, June 30, 2003 and 2002 and September 30, 2003 and 2002 (the "Second Restatement"), and the revision of NNC's previously announced unaudited results for the year ended December 31, 2003.

34. Overall in the Second Restatement, as a result of adjustments to correct errors related to revenue recognition, NNC increased revenues by an aggregate of $1.492 billion in 2001 and $439 million in 2002. NNC also increased previously announced 2003 revenues by an aggregate of $386 million. Most of these adjustments constituted the recognition of revenue that had previously been improperly recognized in prior years and should have been deferred (often over a number of years). This also had the effect of reducing previously reported revenues in 1998, 1999 and 2000 by approximately $158 million, $355 million and $2.866 billion, respectively. Of these adjustments identified in the Second Restatement, approximately $750 million of revenues was deferred to years after 2003, while approximately $250 million of revenues was permanently reversed.

35. Some of the adjustments related to errors involving issues in connection with arrangements known as "bill and hold" transactions, in which revenue is recognized before actual delivery of the product. During the Second Restatement

process, Nortel management determined that the relevant U.S. GAAP accounting policy had been incorrectly applied to a number of contracts, and revenues had been recognized where the relevant criteria had not been fully met, and therefore deferred all revenues associated with bill and hold arrangements to subsequent periods. With respect to the fourth quarter of 2000, approximately $1 billion of revenue was recognized incorrectly from bill and hold transactions which failed to meet the appropriate accounting guidance as set out in the SEC's Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"). Subsequently, in the course of the Revenue Independent Review (as defined below), it was determined that former senior finance management, contrary to earlier advice received from D&T as to the criteria that should be met pursuant to SAB 101 in order to recognize revenue when delivery of product has not occurred, had failed to ensure that bill and hold transactions be requested by the buyer (not the seller) in accordance with the guidance set out in SAB 101.

36. Over the course of the Second Restatement process, management and D&T identified a number of additional reportable conditions, each constituting a material weakness, in Nortel's internal control over financial reporting as at December 31, 2003. At the time of the Second Restatement, a total of six material weaknesses had been identified. The material weaknesses identified were:

(i) lack of compliance with written Nortel procedures for monitoring and adjusting balances related to certain accruals and provisions, including restructuring charges and contract and customer accruals;

(ii) lack of compliance with Nortel procedures for appropriately applying applicable GAAP to the initial recording of certain liabilities, including those described in SFAS No.5, and to foreign currency translation as described in SFAS No. 52;

(iii) lack of sufficient personnel with appropriate knowledge, experience and training in U.S. GAAP and lack of sufficient analysis and documentation of the application of U.S. GAAP to transactions, including, but not limited to, revenue transactions;

(iv) lack of a clear organization and accountability structure within the accounting function, including insufficient review and supervision, combined with financial reporting systems that are not integrated and which require extensive manual interventions;

(v) lack of sufficient awareness of, and timely and appropriate remediation of, internal control issues by Nortel personnel; and

(vi) an inappropriate "tone at the top", which contributed to the lack of a strong control environment. As reported in the Independent Review Summary, there was a "[m]anagement 'tone at the top' that conveyed the strong leadership message that earnings targets could be met through application of accounting practices that finance managers knew or ought to have known were not in compliance with U.S. GAAP and that questioning these practices was not acceptable".

These material weaknesses contributed to the need for the Second Restatement.

(iv) Revenue Independent Review

37. In light of the magnitude of the Second Restatement adjustments to previously reported revenues, the Audit Committee determined to review the facts and circumstances leading to the restatement of these revenues for specific transactions identified in the Second Restatement (the "Revenue Independent Review"), with a particular emphasis on the underlying conduct that led to the initial recognition of these revenues. The Revenue Independent Review also considered any appropriate additional remedial measures, including those involving internal controls and processes.

38. The Audit Committee engaged WilmerHale to advise it in connection with the Revenue Independent Review. WilmerHale retained Huron to provide expert accounting assistance.

39. The Revenue Independent Review focused principally on transactions that accounted for approximately $3.0 billion of the $3.4 billion in restated revenue from the Second Restatement, with a particular emphasis on transactions that accounted for approximately $2.6 billion in the fourth quarter of 2000.

40. The Revenue Independent Review found, and Nortel admits, that, in an effort to meet internal and external targets, Nortel's senior corporate finance management team, none of whom are current employees of the Company, changed the Company's accounting policies several times during 2000, either to defer revenue out to a subsequent period or pull revenue into the current period. After changing internal accounting policies, senior corporate finance management did not understand the relevant U.S. GAAP requirements, misapplied these U.S. GAAP requirements, and in certain circumstances, "turned a blind eye" to these U.S. GAAP requirements. As a result, the Revenue Independent Review

concluded that Nortel recognized revenue for numerous transactions with disregard for the proper accounting and this conduct was driven by the need to close revenue and earnings gaps.

41. The findings of the Revenue Independent Review were presented to the Audit Committee and the Board and disclosed in NNC's and NNL's amended Annual Reports on Form 10-K/A for the year ended December 31, 2005 (collectively, the "2005 Annual Report") filed with the SEC and the Commission. As disclosed in the 2005 Annual Report, the first five of the six material weaknesses in Nortel's internal control over financial reporting described in paragraph 36 continued to exist as at December 31, 2005 (as the term "material weakness" is now defined under standards established by the United States Public Company Accounting Oversight Board (the "PCAOB")).

(v) Further Conclusions Respecting Conduct

42. The filing by Nortel with the Commission of financial statements for each of the Relevant Fiscal Periods that did not comply with Canadian GAAP, as set out above, was contrary to sections 77 and 78 of the Act.

43. Nortel's representation in its financial statements filed with the Commission for each of the Relevant Fiscal Periods (and in its other continuous disclosure filings for the Relevant Fiscal Periods containing financial information derived from such financial statements) that such financial statements had been prepared in accordance with Canadian GAAP or U.S. GAAP, as the case may be, was materially misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statement not misleading, and was contrary to the public interest.

44. The inappropriate provisioning and revenue recognition practices which the Independent Review or the Revenue Independent Review, as applicable, found to have occurred were contrary to the public interest.

(vi) Third Restatement

45. As part of its remediation efforts and to compensate for the material weaknesses in Nortel's internal control over financial reporting, management undertook in 2005 and early 2006 to enhance Nortel's internal controls and procedures relating to recognition of revenue. These efforts included extensive documentation and review of customer contracts for revenue recognized in 2005 and earlier periods. As a result of the contract review, it became apparent that certain of the contracts had not been accounted for properly under U.S. GAAP. Most of these errors related to contractual arrangements involving multiple deliverables, for which revenue recognized in prior periods should have been deferred to later periods, under SEC Staff Accounting Bulletin 104, "Revenue Recognition" and AICPA Statement of Position ("SOP") 97-2, "Software Revenue Recognition".

46. In addition, based on Nortel's review of its revenue recognition policies and discussions with D&T as part of the 2005 audit, Nortel determined that in its previous application of these policies, it had misinterpreted certain of these policies principally related to complex contractual arrangements with customers where multiple deliverables were accounted for using the percentage-of-completion method of accounting under SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", as described below:

(i) certain complex arrangements with multiple deliverables had been previously accounted for under the percentage-of-completion method of SOP 81-1, but elements outside the scope of SOP 81-1 should have been examined for separation under the guidance in Financial Accounting Standards Board Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements for Multiple Deliverables"; and

(ii) certain complex arrangements accounted for under the percentage-of-completion method did not meet the criteria for this treatment in SOP 81-1 and should instead have been accounted for using completed contract accounting under SOP 81-1.

In correcting for both application errors, the timing of revenue recognition was frequently determined to be incorrect, with revenue having generally been recognized prematurely when it should have been deferred and recognized in later periods.

47. Management's determination that these errors required correction led to the Audit Committee's decision on March 9, 2006 to effect a restatement of Nortel's financial statements for the years ended December 31, 2004, 2003, 2002 and 2001 and the first three quarters of 2005 (the "Third Restatement"). Overall in the Third Restatement, as a result of adjustments to correct errors related to revenue recognition, NNC decreased revenues by an aggregate of $261 million, $312 million and $520 million in 2003, 2004 and the first nine months of 2005, respectively. These adjustments constituted the recognition of revenues that had previously been improperly recognized in prior periods and should have been deferred to future periods. This also had the effect of reducing NNC's previously reported revenues in 2001 and 2002 by approximately $67 million and $270 million, respectively.

48. Following the announcement of the Third Restatement on March 10, 2006, the Audit Committee directed the Internal Audit group to conduct a review of the facts and circumstances surrounding the Third Restatement principally to review the underlying conduct of the initial recording of the errors and any overlap of items in the Third Restatement and the Second Restatement. Internal Audit engaged third party forensic accountants to assist in the review. On completion of its review, Internal Audit reported to the Audit Committee that, among other things, it found no evidence of intent to improperly record revenues associated with the contracts included in the Third Restatement nor any evidence of misconduct other than what was previously reported by WilmerHale in connection with the Independent Review and Revenue Independent Review. The findings of Internal Audit were disclosed in NNC's and NNL's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2006 filed with the SEC and the Commission.

IV. MITIGATING FACTS AND CHANGES IMPLEMENTED OR PLANNED BY NORTEL

(i) Co-operation of Nortel

49. Staff acknowledge that Nortel has been co-operative with Staff throughout Staff's review of these matters and has acted in accordance with Commission Staff Notice 15-702 – Credit for Cooperation.

50. The Company has represented, and Staff accept, that when first apprised of the need for the First Restatement, the Audit Committee initiated the Independent Review on its own accord and in circumstances where the Audit Committee had no belief that misconduct was involved.

51. The Audit Committee, consisting solely of outside (non-management) directors, supervised and directed the Independent Review and retained experienced counsel with no prior relationship with Nortel to assist it.

52. Nortel promptly reported to Staff the need for each of the restatements as well as the Independent Review.

53. Similarly, when during the course of work on the Second Restatement Nortel's management identified certain errors relating to the recognition of revenue, Staff were promptly advised of the matter and also of the Audit Committee's decision to conduct another independent review into the facts and circumstances that led to those errors. WilmerHale was again retained to assist in the Revenue Independent Review.

54. Throughout the Independent Review and the Revenue Independent Review, the Audit Committee provided to Staff, through counsel, reports on the progress of each review, including by way of comprehensive briefings by WilmerHale and Huron to Staff.

55. Staff have been assisted by Nortel throughout Staff's investigation in their gathering and review of the underlying facts. Nortel has volunteered documents sought by Staff to assess the matters. In addition, numerous of Nortel's present and former employees, officers and directors have made themselves available to Staff to be voluntarily interviewed on request.

56. The findings of the Independent Review were publicly disclosed by Nortel in January 2005 by appending the Independent Review Summary, in its entirety, to a press release issued by Nortel and reproducing it, in its entirety, in the 2003 Annual Report. The findings of the Revenue Independent Review were also publicly disclosed by Nortel in the 2005 Annual Report.

57. As described more fully below in Part IV(iii), Nortel has undertaken the broad-based remediation recommended by the Independent Review to prevent a recurrence, to rebuild Nortel's corporate culture, and to ensure sound financial reporting.

58. NNC has addressed the claims of shareholders who are part of class action lawsuits filed in Canada and the United States through the settlement of those class actions, described below in Part IV(ii). These shareholder class actions concern NNC's financial statements for certain of the Relevant Fiscal Periods. Shareholders who have opted out of the proposed settlement can pursue individual claims against NNC if they so choose. In addition to individual claims against Nortel, class action litigation purportedly on behalf of certain participants and beneficiaries of the Nortel Long-Term Investment Plan also remains outstanding in Tennessee under the United States Employee Retirement Income Security Act arising out of certain of the factual matters addressed herein.

59. Nortel has shared, and continues to share, with Staff and to publicly disclose in its quarterly and annual public filings, management's progress in implementing the various remedial measures to address the findings of the Independent Review and the Revenue Independent Review and to address the material weaknesses in the Company's internal control over financial reporting.

(ii) Settlement of Shareholder Class Actions

60. On June 20, 2006, NNC entered into concurrent and related settlement agreements with the respective lead or representative plaintiffs in seven class action lawsuits in Canada and the United States brought on behalf of persons who purchased NNC common shares or call options on NNC common shares, or who wrote (sold) put options on NNC common shares, during the periods October 24, 2000 through February 15, 2001 and April 24, 2003 through April 27, 2004 (the "Shareholder Class Action Settlement").

61. The claims raised in these various class action proceedings include claims relating to NNC's reporting of financial results during the Material Time.

62. Under the terms of the Shareholder Class Action Settlement, NNC agreed to contribute to a global settlement fund for class members a total of $575 million in cash plus related interest of approximately $5 million and issue 628,667,750 common shares of NNC (which was adjusted to 62,866,775 common shares to account for a one-for-ten share consolidation implemented by NNC effective December 1, 2006), and contribute one-half of any recovery in NNC's existing litigation against Messrs. Beatty, Dunn and Gollogly seeking the return of bonus compensation paid to them in 2003. NNC's insurers also agreed to contribute a total of $228.5 million to the global settlement fund. NNC further agreed to certain corporate governance enhancements.

63. The Shareholder Class Action Settlement was the result of a lengthy, mediated negotiation process, aided by a senior United States District Judge, which focused on achieving a resolution of these lawsuits that was both fair to the respective class members and which NNC could afford in order to remain as a viable and competitive company. The issuance of a substantial number of NNC's common shares under the Shareholder Class Action Settlement (representing approximately 14.5% of its current outstanding common equity) will provide class members with a stake in NNC's future performance and prospects.

64. The Shareholder Class Action Settlement was conditioned upon, among other things, final court approval by the respective courts in New York, Ontario, Québec and British Columbia where the class actions were filed and certified as class proceedings (the "Courts").

65. In October and November 2006, settlement approval hearings were held by each of the Courts, and each Court has since approved the settlement of its respective proceedings on the terms provided therefor in the Shareholder Class Action Settlement and has found such settlement to be fair, reasonable and adequate or fair, reasonable and in the best interest of the class as certified by such Court, as the case may be.

66. The Shareholder Class Action Settlement became final and effective on March 20, 2007.

(iii) Remedial Measures Undertaken or Planned by Nortel

67. When it initiated the Independent Review in October 2003, the Audit Committee wanted to understand, as a governance matter, how the errors arose and to adopt appropriate procedures and controls to eliminate the potential for similar errors. As it learned of the inappropriate provisioning practices in the Finance organization, the Audit Committee recognized that the corporate culture at Nortel required fundamental change, beginning with dramatic changes in the "tone at the top". Likewise, the Audit Committee recognized that existing processes and procedures had been inadequate, and that significant improvements and additional processes and controls were essential.

68. The Board insisted on a change in the "tone at the top" in the senior management of Nortel. The Board began the remediation process in April 2004 with the termination for cause of the then incumbent CEO, CFO and Controller. In August 2004, as the Independent Review progressed, the Board terminated for cause seven additional senior finance employees. The Board demanded the return of all bonus compensation that the ten terminated officers had received in 2003 and then directed Nortel to commence legal proceedings against the former CEO, CFO and Controller for this purpose.

69. Following the completion of the Second Restatement in 2005, the Board identified and retained new senior management, from outside Nortel, with, in the Board's assessment, strong accounting and financial reporting skills and a proven record of integrity and ethical behaviour. The Board recruited a new CEO, CFO, Controller and Internal Auditor/Chief Compliance Officer and created the new position of Executive Vice-President, Corporate Operations, which it also filled with an external hire. It also recruited a new Chief Legal Officer on the retirement of his predecessor.

70. The Company has represented to Staff, and Staff accept, that the Audit Committee sought to analyze the root causes of the inappropriate provisioning conduct and accounting errors in order to understand the broad based remediation required to prevent a recurrence, to rebuild the corporate culture based on transparency and accountability, and to ensure sound financial reporting and comprehensive disclosure. The Audit Committee recommended to the Board a

framework of remedial measures, which it grouped into three categories – people, processes and technology (the "Remedial Framework"). The Board adopted the Remedial Framework and directed management to develop measures for the implementation of that framework and to implement them.

71. Nortel has represented to Staff, and Staff accept, that management has implemented a broad range of remedial actions to implement the Remedial Framework, as more particularly detailed in Schedule "C" attached hereto.

72. The Company has also represented to Staff, and Staff accept, that Nortel has made significant improvements during 2006 to its Sarbanes-Oxley Act of 2002 ("SOX") compliance program. The structure of its SOX compliance team has been changed to improve communication and provide more integration with corporate and regional management, and the team's leadership maintains regular communication with Nortel's external auditors. An internal quality assurance function was established in 2006 to review documentation and testing strategies of all key internal controls. A SOX Steering Committee was established in 2006 comprised of members of the executive leadership team from all key functions. This committee meets regularly to discuss the progress of the SOX compliance program and review issues as required.

73. Consistent with guidance issued by the SEC, management has also undertaken a comprehensive redesign of its methodology of conducting assessments of the Company's internal control over financial reporting and implemented a top-down, risk-based approach to identification of risks to reliable financial reporting and the related internal controls.

74. In connection with the preparation of NNC's and NNL's Annual Reports on Form 10-K for the year ended December 31, 2006 (collectively, the "2006 Annual Report"), the Company's management assessed the effectiveness of Nortel's internal control over financial reporting in accordance with the requirements of section 404 of SOX ("SOX 404") and concluded that one "material weakness" (as defined under the applicable standards of the PCAOB) in the Company's internal control over financial reporting existed as at December 31, 2006. The material weakness identified, and disclosed in the 2006 Annual Report, was a lack of sufficient cross-functional communication and coordination, including further definition of roles and responsibilities, with respect to the scope and timing of customer arrangements, insufficient segregation of duties in certain areas, delayed implementation of Nortel review processes and personnel for the Company's Korean joint venture, LG-Nortel Co. Ltd. ("LG-Nortel"), and insufficient controls over certain end user computing applications, all of which impact upon the appropriate application of U.S. GAAP to revenue generating transactions.

75. Specifically, as disclosed in the 2006 Annual Report, it was determined that the Company did not sufficiently and effectively communicate and coordinate between and among the various Finance and non-Finance organizations in a consistent manner across the Company on the scope and terms of customer arrangements, including the proper identification of all undelivered obligations that may impact upon revenue recognition, which deficiency was compounded by the complexity of the Company's customer arrangements, in order to ensure that related revenues were accurately recorded in accordance with U.S. GAAP. As well, management determined that the Company requires further definition of roles and responsibilities, and further enhancement of segregation of duties, in particular with respect to the front-end processes around customer arrangements and with respect to access to computer systems, to ensure these revenues are identified and recorded in a timely and accurate manner. With regards to LG-Nortel, which was formed in November 2005 and included in management's assessment of internal control over financial reporting starting in January 2006, management determined that these deficiencies were compounded by delays in putting in place review processes and personnel with appropriate knowledge, experience and training in U.S. GAAP. Further, the Company utilizes various end user computing applications (for example, spreadsheets) to support accounting for revenue generating transactions, which are not sufficiently protected from unauthorized changes and sufficiently reviewed for completeness and accuracy.

76. Nortel has represented that, based on progress during 2006 and into 2007, the Company's goal is the remediation of the above-described material weakness during the course of 2007 and the full implementation of the remedial measures to implement the Remedial Framework. Nortel continues to identify, develop and implement remedial measures in light of management's assessment of the effectiveness of internal control over financial reporting, in order to strengthen internal control over financial reporting and disclosure controls and procedures, and to address the above-described material weakness in the Company's internal control over financial reporting as at December 31, 2006, as well as to ensure Nortel continues to sustain the remedial measures taken to address the recommendations set forth in the Independent Review Summary. For example, during the course of 2006, the Finance function in LG-Nortel was strengthened, including the installation of a new leader of this function. In addition, since December 31, 2006, Nortel has appointed an individual in its technical accounting group with the appropriate U.S. GAAP knowledge and experience to be fully dedicated to the review of the joint venture contracts on a timely basis, in accordance with Nortel's new contract review policy (described in the attached Schedule "C"). Further, new guidelines and training were developed by the Company in the second half of 2006 to improve revenue recognition processes. Additional training courses and tools for non-finance roles are currently being developed and deployed by the Company. Analysis of the

Company's revenue related processes will continue during 2007 to identify key controls that should be added to these processes, in particular with respect to cross-functional interactions.

77. Nortel has outlined ongoing remediation plans to address the remaining actions to implement the Remedial Framework and to address the remaining material weakness in its internal control over financial reporting, as outlined in the attached Schedule "D" (the "Remediation Plan").

78. Nortel has committed substantial financial and personnel resources to the remedial initiatives referred to herein. The Company estimates that the costs incurred by it to the date hereof relating to its remediation activities (including the costs of the Independent Review, the Revenue Independent Review, incremental external audit costs related to internal control remedial measures, and investments in the Company's Finance organization and processes) have exceeded $500 million.

V. TERMS OF SETTLEMENT

79. Nortel agrees to settle this matter on the basis of an Order:

1. approving this Settlement;

2. pursuant to sections 127(1)4 and 127(2) of the Act, that:

   (i) during the Reporting Period (as defined below), within 30 days of filing each of its quarterly and annual reports, Nortel will deliver to Staff a written report (a "Remediation Progress Report" or "Report") detailing its progress in implementing the Remediation Plan, as outlined in Schedule "D" attached hereto, and addressing the other matters described in Schedule "E" attached hereto. Remediation Progress Reports shall be delivered for the period commencing the first quarter-end after the Commission has approved this Settlement Agreement and ending the earlier of (a) the quarter-end after Nortel has remedied all material weaknesses in its internal control over financial reporting to the satisfaction of its external auditors, and (b) the date when Nortel has reported to Staff, to the reasonable satisfaction of Staff, that the Company has completed the implementation of the Remediation Plan (the "Reporting Period");

   (ii) Remediation Progress Reports shall be prepared substantially in accordance with the instructions in the reporting template attached as Schedule "E" hereto;

   (iii) Remediation Progress Reports shall be signed by the CFO and Controller of the Company and will include confirmation that the Report has been reviewed by the Chief Compliance Officer and the Audit Committee and reflects their comments, if any, on the Report;

   (iv) Staff shall be entitled to engage a third party expert or experts (the "Consultant"), acceptable to and at the expense of the Company, to assist Staff with their review and assessment of any Remediation Progress Report or Reports; and

   (v) at the request of, and on reasonable notice from, Staff and/or the Consultant, representatives of the Company (including, where appropriate, the CFO, the Controller, the Chief Compliance Officer and/or the Chair of the Audit Committee) will meet with the Staff and/or the Consultant to discuss and answer questions on any Report; and

3. pursuant to section 127.1 of the Act, that Nortel make a payment to the Commission in the amount CDN $1,000,000 as a contribution towards the costs of the investigation.

VI. STAFF COMMITMENT

80. If this Settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Nortel in relation to the facts set out in Part III of this Settlement Agreement.

81. If this Settlement is approved by the Commission and at any subsequent time Nortel fails to honour the terms of Settlement contained in paragraph 79 of this Settlement Agreement, Staff reserve the right to bring proceedings against Nortel based on the facts set out in Part III of this Settlement Agreement, and based on the breach of this Settlement Agreement.

VII. APPROVAL OF SETTLEMENT

82. Approval of the settlement set out in this Settlement Agreement shall be sought at a hearing of the Commission scheduled for May 22, 2007 at 11:00 a.m. or such other date and time as may be agreed to by Staff and Nortel (the "Settlement Hearing"). Representatives of Nortel will attend the Settlement Hearing.

83. Counsel for Staff or Nortel may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Nortel agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

84. If this Settlement is approved by the Commission, Nortel agrees to waive its rights to full hearing, judicial review or appeal of the matter under the Act.

85. Staff and Nortel agree that if this Settlement is approved by the Commission, subject to paragraph 4 above and without limiting in any way Nortel's ability to make full answer and defence in, or enter into settlements with respect to, any civil, criminal or other proceeding, Nortel will not make any public statement inconsistent with this Settlement Agreement.

86. If, for any reason whatsoever, this Settlement is not approved by the Commission, or any order in the form attached as Schedule "A" is not made by the Commission:

    (i) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Nortel leading up to their presentation at the Settlement Hearing, shall be without prejudice to Staff and Nortel;

    (ii) Staff and Nortel shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

    (iii) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of Staff and Nortel or as may be required by law; and

    (iv) Nortel agrees that it will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

87. Except as required by its terms, this Settlement Agreement will be treated as confidential by the Commission until approved, and forever if, for any reason whatsoever, the Settlement Agreement is not approved by the Commission, except with the written consent of Staff and Nortel or as may be required by law.

88. Any obligations of confidentiality with respect to this Settlement Agreement shall terminate upon approval of this Settlement by the Commission.

VIII. EXECUTION OF SETTLEMENT AGREEMENT

89. This Settlement Agreement may be signed in one or more counterparts that together shall constitute a binding agreement.

90. A facsimile copy of any signature shall be as effective as an original signature.

DATED this 16th day of May, 2007

NORTEL NETWORKS CORPORATION

By: "Mike S. Zafirovski"
Name: Mike S. Zafirovski
Title: President and Chief Executive Officer

By: "Gordon A. Davies"
Name: Gordon A. Davies
Title: Chief Legal Officer and Corporate Secretary

NORTEL NETWORKS LIMITED

By: "Mike S. Zafirovski"
Name: Mike S. Zafirovski
Title: President and Chief Executive Officer

By: "Gordon A. Davies"
Name: Gordon A. Davies
Title: Chief Legal Officer and Corporate Secretary

DATED this 16th day of May, 2007

STAFF OF THE ONTARIO SECURITIES COMMISSION

By: "Michael J. Watson"
Name: Michael J. Watson
Title: Director of Enforcement

SCHEDULE "A"

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
NORTEL NETWORKS CORPORATION AND
NORTEL NETWORKS LIMITED
(collectively, "Nortel")

ORDER
(Sections 127 and 127.1)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing dated May 16, 2007 pursuant to sections 127 and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act") announcing that it proposed to consider a settlement agreement entered into by Nortel and Staff of the Commission;

AND WHEREAS on May 16, 2007 Staff of the Commission filed a Statement of Allegations in respect of Nortel;

AND WHEREAS Nortel entered into a settlement agreement dated May 16, 2007 (the "Settlement Agreement") with Staff of the Commission in relation to the matters set out in the Statement of Allegations;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and upon considering submissions of Nortel and of Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement is approved;

2. pursuant to sections 127(1)4 and 127(2) of the Act:

   (i) during the Reporting Period (as defined below), within 30 days of filing each of its quarterly and annual reports, Nortel shall deliver to Staff of the Commission a written report (a "Remediation Progress Report" or "Report") detailing its progress in implementing the Remediation Plan, as outlined in Schedule "A" to this Order [Schedule "D" to the Settlement Agreement], and addressing the other matters described in Schedule "B" to this Order [Schedule "E" to the Settlement Agreement]. Remediation Progress Reports shall be delivered for the period commencing the first quarter-end after the date of this Order and ending the earlier of (a) the quarter-end after Nortel has remedied all material weaknesses in its internal control over financial reporting to the satisfaction of its external auditors, and (b) the date when Nortel has reported to Staff of the Commission, to the reasonable satisfaction of Staff, that Nortel has completed the implementation of the Remediation Plan (the "Reporting Period");

   (ii) Remediation Progress Reports shall be prepared substantially in accordance with the instructions in the reporting template attached as Schedule "B";

   (iii) Remediation Progress Reports shall be signed by the Chief Financial Officer and the Controller of Nortel and will include confirmation that the Report has been reviewed by the Chief Compliance Officer and the Audit Committee of Nortel and reflects their comments, if any, on the Report;

   (iv) Staff of the Commission shall be entitled to engage a third party expert or experts (the "Consultant"), acceptable to and at the expense of Nortel, to assist Staff with their review and assessment of any Remediation Progress Report or Reports; and

   (v) at the request of, and on reasonable notice from, Staff of the Commission and/or the Consultant, representatives of Nortel (including, where appropriate, the Chief Financial Officer, the Controller, the Chief Compliance Officer and/or the Chair of the Audit Committee of Nortel) will meet with the Staff and/or the Consultant to discuss and answer questions on any Report; and

3. pursuant to section 127.1 of the Act, Nortel shall make a payment to the Commission in the amount CDN $1,000,000 as a contribution towards the costs of the investigation.

Dated at Toronto, Ontario this _____ day of _____, 2007

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SCHEDULE "B"

SUMMARY OF FINDINGS AND OF RECOMMENDED REMEDIAL MEASURES OF THE INDEPENDENT REVIEW

SUBMITTED TO THE AUDIT COMMITTEE OF THE BOARDS OF DIRECTORS OF NORTEL NETWORKS CORPORATION AND NORTEL NETWORKS LIMITED

Wilmer Cutler Pickering Hale and Dorr LLP
2445 M Street, N.W.
Washington, D.C. 20037

Huron Consulting Services LLC
99 High Street
Boston, Massachusetts 02110

In late October 2003, Nortel Networks Corporation ("Nortel" or the "Company") announced that it intended to restate approximately $900M of liabilities carried on its previously reported balance sheet as of June 30, 2003, following a comprehensive internal review of these liabilities ("First Restatement"). The Company stated that the principal effects of the restatement would be a reduction in previously reported net losses for 2000, 2001, and 2002 and an increase in shareholders' equity and net assets previously reported on its balance sheet. Concurrent with this announcement, the Audit Committees of the Boards of Directors of Nortel Networks Corporation and Nortel Networks Limited (collectively, the "Audit Committee" and the "Board of Directors" or "Board," respectively) initiated an independent review of the facts and circumstances leading to the First Restatement. The Audit Committee wanted to gain a full understanding of the events that caused significant excess liabilities to be maintained on the balance sheet that needed to be restated, and to recommend that the Board of Directors adopt, and direct management to implement, necessary remedial measures to address personnel, controls, compliance, and discipline. The Audit Committee engaged Wilmer Cutler Pickering Hale and Dorr LLP ("WCPHD") to advise it in connection with its independent review. Because of the significant accounting issues involved in the inquiry, WCPHD retained Huron Consulting Services LLC ("Huron") to provide expert accounting assistance. Huron has been involved in all phases of WCPHD's work.

Scope of the Independent Review

The independent review focused initially on events relating to the establishment and release of contractual liability and other related provisions (also called accruals, reserves, or accrued liabilities) in the second half of 2002 and the first half of 2003, including the involvement of senior corporate leadership. (The review did not include provisioning activity in the first half of 2002 because it was not expected that any such activity could have had a material impact on the results of those quarters in light of the significant losses in those periods.) As the review evolved, its focus broadened to include specific provisioning activities in each of the business units and geographic regions. In light of concerns raised in the initial phase, the Audit Committee expanded the review to include provisioning activities in the third and fourth quarters of 2003.

The Audit Committee expressly directed that requested documents be promptly provided and that employees cooperate with requests for interviews; the Audit Committee instructed senior management to implement these directions throughout the Company. Over the course of the inquiry, more than 50 current and former Nortel employees were interviewed, some more than once. While the independent inquiry did not examine the work of Nortel's external auditor, Deloitte & Touche LLP, several current and former audit engagement partners were interviewed. Hundreds of thousands of hard copy and electronic documents and emails were collected and reviewed from corporate headquarters in Brampton, from company servers, and from key employees in the business units and in the regions.

It was beyond the scope of the independent inquiry to audit or otherwise review the substantive accuracy of Nortel's restated financial statements. As the inquiry progressed, the Audit Committee directed new corporate management to examine in depth the concerns identified by WCPHD regarding provisioning activity and to review provision releases in each of the four quarters of 2003, down to a low threshold. That examination, and other errors identified by management, led to a second restatement of financial results, filed today (the "Second Restatement"). WCPHD and Huron played no role in management's restatement efforts. It was also beyond the scope of the independent inquiry to review other aspects of Nortel's accounting practices. The Second Restatement addresses a number of these practices.

WCPHD and Huron reported regularly to the Audit Committee on the progress of the investigation. Most, or all, of the independent and non-management Board members attended these Audit Committee briefings. The Chairs of the Audit Committee and of the Board of Directors were briefed between Audit Committee meetings to provide them with a "real time" understanding of the progress of the investigation. At the direction of the Audit Committee, WCPHD and Huron met regularly with new management and the Company's external auditors to provide facts developed through the inquiry, so both would have this information as they proceeded through the Second Restatement. WCPHD and Huron also briefed Canadian and U.S. regulators on a regular basis. The Audit Committee has reviewed in detail the findings of the independent review and the recommended remedial measures, and it has adopted those findings and proposed remedial measures in their entirety. This synopsis summarizes those findings and proposed remedial measures.

Summary of Findings of the Independent Review

The investigation necessarily focused on the financial picture of the Company at the time that decisions were made and actions were taken regarding provisioning activity. Because of significant changes to financial results reflected in the Second Restatement, the restated financial results differ from the historical results that formed the backdrop for this inquiry.

In summary, former corporate management (now terminated for cause) and former finance management (now terminated for cause) in the Company's finance organization endorsed, and employees carried out, accounting practices relating to the recording and release of provisions that were not in compliance with U.S. generally accepted accounting principles ("U.S. GAAP") in at least four quarters, including the third and fourth quarters of 2002 and the first and second quarters of 2003. In three of those four quarters -- when Nortel was at, or close to, break even -- these practices were undertaken to meet internally imposed pro-forma earnings before taxes ("EBT") targets. While the dollar value of most of the individual provisions was relatively small, the aggregate value of the provisions made the difference between a profit and a reported loss, on a pro forma basis, in the fourth quarter of 2002 and the difference between a loss and a reported profit, on a pro forma basis, in the first and second quarters of 2003. This conduct caused Nortel to report a loss in the fourth quarter of 2002 and to pay no employee bonuses, and to achieve and maintain profitability in the first and second quarters of 2003, which, in turn, caused it to pay bonuses to all Nortel employees and significant bonuses to senior management under bonus plans tied to a pro forma profitability metric.

The failure to follow U.S. GAAP with respect to provisioning can be understood in light of the management, organizational structure, and internal controls that characterized Nortel's finance organization. These characteristics, discussed below, include:

- Management "tone at the top" that conveyed the strong leadership message that earnings targets could be met through application of accounting practices that finance managers knew or ought to have known were not in compliance with U.S. GAAP and that questioning these practices was not acceptable;
- Lack of technical accounting expertise which fostered accounting practices not in compliance with U.S. GAAP;
- Weak or ineffective internal controls which, in turn, provided little or no check on inaccurate financial reporting;
- Operation of a complicated "matrix" structure which contributed to a lack of clear responsibility and accountability by business units and by regions; and
- Lack of integration between the business units and corporate management that led to a lack of transparency regarding provisioning activity to achieve internal EBT targets.

Nortel posted significant losses in 2001 and 2002 and downsized its work force by nearly two-thirds. The remaining employees were asked to undertake significant additional responsibilities with no increase in pay and no bonuses. The Company's former senior corporate management asserted, at the start of the inquiry, that the Company's downturn, and concomitant downsizing of operations and workforce, led to a loss of documentation and a decline in financial discipline. Those factors, in their view, were primarily responsible for the significant excess provisions on the balance sheet as of June 30, 2003, which resulted in the First Restatement. While that downturn surely played a part in the circumstances leading to the First Restatement, the root causes ran far deeper.

When Frank Dunn became CFO in 1999, and then CEO in 2001, he drove senior management in his finance organization to achieve EBT targets that he set with his senior management team. The provisioning practices adopted by Dunn and other finance employees to achieve internal EBT targets were not in compliance with U.S. GAAP, particularly Statement of Financial Accounting Standards Number 5 ("SFAS 5"). SFAS 5, which governs accounting for contingencies, requires, among other things, a probability analysis for each risk before a provision can be recorded. It also requires that a triggering event -- such as resolution of the exposure or a change in estimate -- occur in the quarter to warrant the release of a provision. Dunn and other finance employees recognized that provisioning activity -- how much to reserve for a particular exposure and when that reserve should be released -- inherently involved application of significant judgment under U.S. GAAP. Dunn and others stretched the judgment inherent in the provisioning process to create a flexible tool to achieve EBT targets. They viewed provisioning as "a gray area." They became comfortable with the concept that the value of a provision could be reasonably set at virtually any number within a wide range and that a provision release could be justified in a number of quarters after the quarter in which the exposure, which formed the basis for the provision, was resolved. Dunn and others exercised their judgment strategically to achieve EBT targets.

Third quarter, 2002. At the direction of then-CFO Doug Beatty, a company-wide analysis of accrued liabilities on the balance sheet was launched in early August 2002. The CFO and the Controller, Michael Gollogly, learned that this analysis showed approximately $303M in provisions that were no longer required and were available for release. The CFO and the Controller, each a corporate officer, knew, or ought to have known, that excess provisions, if retained on the balance sheet, would cause the Company's financial statements to be inaccurate and that U.S. GAAP would have required either that such provisions be released in that period and properly disclosed, or that prior period financial statements be restated. Instead, they permitted finance employees in the business units and in the regions to release excess accruals into income over the following several quarters. They acted in contravention of U.S. GAAP by failing to correct the Company's financial statements to account for the significant excess accrued liabilities. Neither the CFO nor the Controller advised the Audit

Committee and/or the Board of Directors that significant excess provisions on the balance sheet had been identified and that the Company's financial statements might be inaccurate, nor did either suggest such information should be disclosed in the Company's financial statements.

As a result of this company-wide review, senior finance employees recognized that their respective business unit or region had excess provisions on Nortel's balance sheet, and directed other finance employees to track these excess provisions. Nortel finance employees had their own distinct term for a provision on the balance sheet that was no longer needed -- it was "hard." Each business unit developed, in varying levels of detail and over varying periods of time, internal "hardness" schedules that identified provisions that were no longer required and were available for release. Finance employees treated provisions identified on these schedules as a pool from which releases could be made to "close the gap" between actual EBT and EBT targets in subsequent quarters.

Fourth quarter, 2002. By mid-2002, employees throughout the Company were being recruited by other companies and morale was low. Corporate management sought to retain these employees but recognized that other public companies had come under criticism for awarding "stay" bonuses in the face of enormous losses. At management's recommendation, the Board determined to reward employees with bonuses under bonus plans tied to profitability. One plan, the Return to Profitability ("RTP") bonus, contemplated a one-time bonus payment to every employee, save 43 top executives, in the first quarter in which the Company achieved pro forma profitability. The 43 executives were eligible to receive 20% of their share of the RTP bonus in the first quarter in which the Company attained profitability, 40% after the second consecutive quarter of cumulative profitability, and the remaining 40% upon four quarters of cumulative profitability. In order for the RTP bonuses to be paid, pro forma profits had to exceed, by at least one dollar, the total cost of the bonus for that quarter. Another plan, the Restricted Stock Unit ("RSU") plan, made a significant number of share units available for award by the Board to the same 43 executives in four installments tied to profitability milestones. Once a milestone was met, the Board had discretion whether to make the award.

Through the first three quarters of 2002, Nortel experienced significant losses, and management reported to the Board that it expected losses would continue in the fourth quarter. After the initial results for the business units and regions were consolidated, they showed that Nortel unexpectedly would achieve pro forma profitability in the fourth quarter. Frank Dunn, who had been promoted to CEO in 2001, understood that profitability had been attained from an operational standpoint but determined that it was unwise to report profitability and pay bonuses in the fourth quarter because performance for the rest of the year had been poor. He determined that provisions should be taken to cause a loss for the quarter. Over a two day period late in the closing process, the CFO and the Controller worked with employees in the finance organizations in the business units, the regions, and in global operations, to identify and record additional provisions totaling more than $175 million. All of these provisions were recorded "top-side" -- that is, by employees in the office of the Controller based on information provided by the business units, regions and global operations -- because of the late date in the closing process on which they were made. Nortel's results for the fourth quarter of 2002 turned from an unexpected profit into the loss previously forecasted by management to the Board of Directors. Neither the CEO, the CFO, nor the Controller advised the Audit Committee and/or the Board of Directors of this concerted provisioning activity to improperly turn a profit into a loss. Nortel has since determined that many of these provisions were not recorded in compliance with U.S. GAAP, and has reversed those provisions in the Second Restatement. The loss then reported by Nortel in the fourth quarter meant that no employee bonuses were paid for that quarter.

First quarter, 2003. While Nortel had announced publicly that it expected to achieve pro forma profitability in the second quarter of 2003, Dunn told a number of employees that he intended to achieve profitability one quarter earlier, and he established internal EBT targets for each business unit and for corporate to reach that goal. At Dunn's direction, "roadmaps" were developed to show how the targets could be achieved. These roadmaps made clear that the internal EBT targets for the quarter could only be met through release from the balance sheet of excess provisions that lacked an accounting trigger in the quarter. At the request of finance management in each business unit, finance employees identified excess, or "hard," provisions from the balance sheet, and, together, they determined which provisions to release to close the gap and meet the internal EBT targets. That release activity was supplemented by releases, directed by the CFO and by the Controller, of excess corporate provisions that had been identified in the third quarter of 2002 as available for release. Releases of provisions by corporate and by each business unit and region, including excess provisions, totaling $361M, enabled Nortel to show a consolidated pro forma profit in the first quarter, notwithstanding that its operations were running at a loss. The Finance Vice Presidents of the business units and two of the three regions, the Asia Controller, the CFO, the Controller, and the CEO knew, or ought to have known, that U.S. GAAP did not permit the release, without proper justification, of excess provisions into the income statement. Nortel has since determined that many of these releases in this quarter were not in accordance with U.S. GAAP, and has reversed those releases in the First and Second Restatements and restated the releases into proper quarters.

When presenting the preliminary results for the quarter to the Audit Committee, the Controller inaccurately represented that the vast majority of these releases were "business as usual" and in compliance with U.S. GAAP, and that the remaining releases were one time, non-recurring events and in compliance with U.S. GAAP. Further, the CFO and the Controller failed to advise the Audit Committee and/or the Board of Directors that release of excess corporate provisions was required to achieve profitability and make up for the shortfall in operational results; that such releases were needed to cover the cost of the bonus compensation; that no event in the quarter triggered the releases (as required by U.S. GAAP); that the releases implicated Staff Accounting Bulletin 99 (relating to materiality) because they turned a loss for the quarter into a profit; and that they retained a significant amount of excess provisions on the balance sheet to be used, when needed, in a subsequent quarter. In separate executive sessions held by the Audit Committee with the CFO and the Controller, neither the CFO nor the Controller raised quality of earnings issues nor questioned the payment of the RTP bonus. Based on management's representations, the Audit Committee approved the quarterly results, and the Board approved the award of the RTP bonus.

Second quarter, 2003. Seeking to continue to show profitability in the second quarter and meet the first RSU milestone and the second tranche of the RTP bonus, senior corporate management developed internal EBT targets to achieve pro forma profitability. As was the case in the first quarter, it became clear during the quarter that operational results would be a loss. At the request of finance management in each business unit, finance employees again identified "hard" provisions from the balance sheet, and, together, they determined which provisions to release to close the gap and achieve the internal EBT targets. Nortel has since determined that many of these releases were not in accordance with U.S. GAAP, and has reversed those releases in the First and Second Restatements and restated the releases into proper quarters. In both the first and second quarters of 2003, the dollar value of many individual releases was relatively small, but the aggregate value of the releases made the difference between a pro forma loss and profit in each quarter.

The CEO, the CFO and the Controller failed to advise the Audit Committee or the Board of Directors that operations of the business units were running at a loss during the second quarter and that the validity of many of the numerous provision releases, totaling more than $370 million, could be questionable. Based on management's representations, the Audit Committee approved the quarterly results, and the Board approved payment of the second tranche of the RTP bonus and awarded restricted stock under the RSU plan.

Third and fourth quarters, 2003. In light of concerns raised by the inappropriate accounting judgments outlined above, the Audit Committee expanded its investigation to determine whether excess provisions were released to meet internal EBT targets in each of these two quarters. No evidence emerged to suggest an intent to release provisions strategically in those quarters to meet EBT targets. Given the significant volume of provision releases in these two quarters, the Audit Committee directed management to review provision releases, down to a low threshold, using the same methods used to evaluate the releases made in the first half of the year. This review has resulted in additional adjustments for these quarters, which are reflected in the Second Restatement.

Governing Principles for Remedial Measures

The Audit Committee asked WCPHD to recommend governing principles, based on its independent inquiry, to prevent recurrence of the inappropriate accounting conduct, to rebuild a finance environment based on transparency and integrity, and to ensure sound financial reporting and comprehensive disclosure. The recommendations developed by WCPHD and provided to the Audit Committee were directed at:

- Establishing standards of conduct to be enforced through appropriate discipline;
- Infusing strong technical skills and experience into the finance organization;
- Requiring comprehensive, on-going training on increasingly complex accounting standards;
- Strengthening and improving internal controls and processes;
- Establishing a compliance program throughout the Company which is appropriately staffed and funded;
- Requiring management to provide clear and concise information, in a timely manner, to the Board to facilitate its decision-making; and
- Implementing an information technology platform that improves the reliability of financial reporting and reduces the opportunities for manipulation of results.

These recommendations were grouped into three categories – people, processes and technology – and are discussed below:

- People

An effective "tone at the top" requires effective policies and procedures, but these alone are not sufficient. Those who manage and lead the Company, and are its officers, must exercise the highest fiduciary duties to the Company and shareholders and must be accountable, both to corporate management and the Board, for accurately reporting financial results.

Based on periodic reports by WCPHD on the progress of the independent inquiry, the Audit Committee recommended, and the Board of Directors approved, termination for cause of the CEO, the CFO, the Controller, and seven additional senior finance employees. The Board of Directors determined that each of these individuals had significant responsibilities for Nortel's financial reporting as a whole, or for their respective business units and geographic regions, and that each was aware, or ought to have been aware, that Nortel's provisioning activity, described above, did not comply with U.S. GAAP. Nortel has formally demanded the return of all bonus compensation paid to each of these individuals in 2003. Once the Board receives responses to this demand, it should determine the appropriate course of action to pursue with each of these ten former employees.

Senior corporate officers, including the four Presidents of the business units during the period covered by this inquiry, the four Presidents of the regions, and the President of Global Operations, now recognize that inappropriate activity involving provisioning occurred "on their watch." While they lacked an understanding that certain provisioning activities in their respective business units were not in compliance with U.S. GAAP, they now recognize that such conduct was instrumental in achieving the reported results in the fourth quarter of 2002 and the first and second quarters of 2003. To demonstrate personal commitment to the governing principles stated above and to lead the Company forward, each of these officers has volunteered to return to the Company the entire RTP bonus that he or she was awarded, net of taxes already paid, and to disclaim any opportunity to receive the third and fourth installments of the RSU bonus, which the Board has accepted. In light of the Board's expectation that senior employees of the Company will lead by example, the Board should decline to award the third and fourth tranches of the RSU plan to the remaining eligible employees, irrespective of whether the profitability metrics for such bonuses are met as a result of the Second Restatement.

The Board of Directors must make clear that it has not tolerated, and will not in the future tolerate, accounting conduct that involves the misapplication of U.S. GAAP. It must further communicate its expectation that every Nortel employee will adhere to the highest ethical standards; will have training and experience commensurate with his or her job responsibilities; and will be held accountable for his or her actions and decisions. The Board of Directors and management should continue to address the issues associated with the inappropriate use of provisions.

Recent experience has shown that the Nortel finance organization lacks sufficient technical accounting expertise. Many finance employees are "career" Nortel employees and learned accounting at Nortel. Whatever basic accounting knowledge is resident within Nortel is largely knowledge of Canadian GAAP, not U.S. GAAP. Nortel reported in accordance with Canadian GAAP until 2000, when it switched to reporting in accordance with U.S. GAAP. High quality finance employees are critical to the soundness of the Company's financial reporting systems and controls so that the results of operations are reported accurately and in a timely manner. The Board of Directors should direct management to recruit, from outside Nortel, individuals with strong accounting and financial reporting skills and a proven record of integrity and ethical behavior to fill key finance positions. The Board should also direct management to review the training and experience of Nortel mid-level finance employees and to supplement this expertise, where appropriate, by hiring individuals from outside Nortel with strong accounting training and background.

Nortel has long had an internal "technical accounting group" to which finance employees were supposed to turn for resolution of difficult accounting questions and for technical accounting interpretations. While this practice is a sound one, the practical application has fallen short. Finance employees did not regularly turn to this group for resolution of an issue, and it was far from clear that this group had the "last word" on such issues. That technical accounting group should be led by a very senior finance executive with in-depth knowledge of, and experience in applying, U.S. GAAP. Management should be directed to conduct a benchmarking study to evaluate whether the technical accounting group is properly organized; its personnel component is consistent with other similar companies; its staff has appropriate and current expertise; and its authority to resolve accounting issues and technical interpretations is clearly defined within the organization.

Notwithstanding the enormous time and resources that the Company has devoted to restatement activities for the past year, many employees appear to lack a clear understanding of the accounting issues that gave rise to the restatements. That is perhaps not surprising in light of the lack of basic U.S. GAAP training and expertise in the finance organization. Management has taken significant steps to remedy this deficit by requiring mandatory training, developed by external consultants, and taught by knowledgeable finance employees. These remedial training programs are an important first step, but much more must be done to ensure that the finance organization is fluent in governing accounting standards and principles. Widespread training, by outside experts, at all levels of the finance organization, must continue so that all finance employees receive comprehensive training in U.S. GAAP and in the consequences of failing to follow U.S. GAAP. Going forward, management should develop in depth, on-going continuing education programs that explain continuously evolving complex accounting standards. Management should assess the staffing of its training organization, and the adequacy of its trainers. Every Nortel employee, including each finance employee, must now acknowledge annually, in writing, that he or she has read Nortel's code of conduct and will adhere to that code. The certification for each finance employee should be expanded to include an acknowledgement that each such employee is familiar with all applicable U.S. GAAP requirements. In addition, the Board should consider whether each finance employee should be required to complete a certain number of hours of continuing professional education each year.

- Processes

A basic component of sound corporate oversight is the control structure. Internal controls -- the Company's accounting policies, organizational structure, systems, processes, employees, leadership, and culture -- working together, foster accurate financial reporting and sound disclosure in a timely manner. While management has recognized weaknesses in existing processes and controls, and has taken steps to remedy these deficiencies, more needs to be done.

Nortel is a multi-national organization that has changed organizational structure over the past several years. One legacy of this changing structure is a matrix organization in which there is no clear assignment of responsibility for assessing the adequacy and usage of contractual liability provisions; even where responsibility is clear, it is unlikely that sufficient monitoring is in place to make sure that provisioning activity is in accord with U.S. GAAP. The need for the matrix organization must be re-examined in light of the risks that it poses to financial discipline and accountability and, if a matrix structure continues to be used, clear accountability must be established.

Historically, finance employees responsible for meeting EBT targets had authority to record and release provisions. That practice must end immediately. The control organization must have sole authority to make these decisions and record these entries. The Board of Directors must insist that the re-engineering of the control organization be a management priority. In addition, the Controller and the control organization, working with the General Counsel, must develop standards of transparency in financial reporting that meet both the letter and the spirit of legal requirements.

Nortel's written accounting policies must be reviewed and, where necessary, rewritten to ensure strict adherence to U.S. GAAP and provide numerous "real life" examples of practical applications. Procedures must be adopted to identify evolving interpretations of accounting standards and best practices under U.S. GAAP and to develop and conform Nortel's policies in a timely manner. Employees charged with responsibility for Nortel's accounting policies must have substantial knowledge of the strengths and weaknesses of the financial organization and knowledge of best practices in similarly situated companies and ensure that accounting practices follow Nortel's policies. These policies must be communicated to finance and control employees, and management must stress the importance of adherence to the policies and impose sanctions if they are not followed.

The internal audit function must be strengthened and must provide an independent check on the integrity of financial reporting. Historically, Nortel's internal auditor focused solely on "operational" reviews and had no role in determining whether Nortel's accounting policies were in compliance with U.S. GAAP or in evaluating whether these policies were properly applied. The Audit Committee has already established new priorities for the internal auditor relating to the evaluation of risk exposures for financial reporting. Internal audit should continue its practice of proposing an annual work plan, and should ensure that the work plan focuses on the new priorities set by the Audit Committee. The Company is currently conducting a search to fill the vacant position of internal auditor. The internal audit function requires a leader with substantial experience in applying U.S. GAAP in a similarly-situated company and great familiarity in applying professional standards issued by the Institute of Internal Auditors. The internal auditor should report to the CEO to remove any potential threat to independence. The internal auditor should continue to have direct and regular access to the Board and the Audit Committee. Staffing of internal audit must be consistent with its mandate.

These governing principles are an effort to forge a framework for rebuilding the Nortel finance environment. Equally important, the Board, the CEO, and the CFO must continue to promote high ethical standards throughout the Company. Words announcing adherence to the highest standard of integrity are relatively easy to express, but it is actions, not words, that count. The Board has established the position of a Chief Ethics and Compliance Officer. The Board has also adopted a code of ethical conduct and business practices which outlines principles to guide ethical decision-making and provides practical answers to ethics questions regularly asked in the workplace. The Board should direct management to enhance significantly the existing compliance program. Together, the code and a strengthened compliance program set the tone and the standards of behavior that the Company expects from its employees. Employees must be convinced of the Company's commitment to an ethical climate, and of the central role that they play in ensuring that the Company's code is followed. They must view compliance with the Company's code of conduct, standards, and control systems as a central priority, and understand they will be rewarded for ethical behavior, even if it uncovers some problem that others might prefer to remain undisclosed. On a regular basis, the Board should review the activities of the compliance office, the strength of the compliance program, and the risks it has addressed.

The Board must receive from management, in sufficient time prior to meetings, all materials necessary for it to monitor and act on business risks affecting Nortel and information relating to decisions the Board is being asked to make. The Audit Committee needs clear and concise information relating to Nortel's financial reporting. The Board should implement a process whereby management would provide a quarterly assessment of the overall quality and transparency of Nortel's financial reporting and suggestions for improvements in form and content, which the external auditors would review and comment. The Board's practice of receiving all information respecting Nortel's financial performance on a consolidated basis, and of each of its business units, only from the CFO should change. The heads of each business unit should be expected to take full responsibility for the financial results of their respective businesses and to provide quarterly presentations to the Board with the senior finance employee in that business unit. Periodically, the Audit Committee should have separate, executive sessions with the chief operations and finance employees for each business unit to discuss issues specific to their businesses.

- Technology

Management has announced that it intends to acquire and install a SAP information technology platform to facilitate production of accurate financial results in a timely and cost effective manner. The objectives of any technology platform implemented by Nortel should include identification of existing control procedures that are redundant or inefficient; prevention/detection and correction of errors on a timely basis; prevention or detection of fraud; simplification of systems and increased productivity; reduction of opportunities for manual intervention; ability to trace transactions from start to finish; improved operation of controls; and substantive analysis of results, including both operating and financial metrics. In sum, those responsible for implementing SAP should have a strong focus on re-engineering existing processes so that the control elements intrinsic to the SAP system are effective.

* * * * * *

After thorough consideration, the Audit Committee has recommended, and the Board of Directors has approved, adoption of each of these recommendations. The Board of Directors has directed management to develop a detailed plan and timetable for the implementation of these recommendations and intends to monitor the implementation of these principles by management.

* * * * * * [End of Independent Review Summary]

SCHEDULE "C"

**REMEDIAL ACTIONS REFERRED TO IN PARAGRAPH 71
OF THE SETTLEMENT AGREEMENT DATED MAY 16, 2007
BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND
NORTEL NETWORKS CORPORATION AND NORTEL NETWORKS LIMITED.**

People:

(i) New executive management has communicated, in multiple ways, consistently and frequently, its expectation to Nortel employees that all employees will be held accountable for their conduct. In connection with the inappropriate provisioning and revenue recognition practices identified by the independent inquiries, appropriate disciplinary sanctions were developed by management based on the individual conduct and knowledge of employees that were involved in these practices. After evaluating individual conduct and knowledge, management has taken further employee disciplinary actions in 2006.

(ii) Recognizing that Nortel needed to "turn a new page" with new operational leaders, in November 2005 the four individuals who headed the business units in 2002 and 2003 and the individual who headed Nortel's Global Operations unit during the same period left the Company.

(iii) Management has made significant progress in upgrading the skill sets and experience of the Company's Finance organization, both through external hires and through remedial and on-going training of current employees, and including the establishment of a new senior Finance management team and appointment of a Controller with extensive experience in U.S. GAAP. From January 1, 2004 to December 31, 2006, the Company filled 673 positions with external hires (476 in Control and 197 in Financial Planning & Analysis ("FP&A")), of which 168 (142 in Control and 26 in FP&A) are certified public accountants. In 2005, the CFO reviewed the job requirements of every vacancy and new position in the Finance organization to ensure that candidates would have the appropriate skill sets, experience and professional designations for each such position. Starting in 2006, Finance leaders are required to review and approve the job requirements of every vacancy and new position. As well, the Finance organization has supplemented its capacity by retaining outside experts on a temporary or project basis.

(iv) Through its Global Finance Training and Communications ("GFTC") group, which reports to the Assistant Controller, Nortel has developed and offered (on a mandatory basis for targeted employee populations in 2006) remedial and ongoing training in areas of financial accounting that were found to be problematic in the restatements, including provisions and accruals, revenue recognition, foreign exchange and finance ethics. These training programs include the following:

- since 2004, a one-day mandatory training program for Finance employees related to provisioning focusing on SFAS No. 5 and expense accruals under U.S. GAAP. As of December 31, 2006, 1,373 Finance employees (representing approximately 89% of the 1,539 Finance personnel designated to take this mandatory training) have successfully completed the course.

- implemented in 2006, a supplemental training session on provisions accounting based on learnings and specific case study examples from the Company's restatements which is mandatory for all Control employees with authority to approve manual journal entry transactions. As of December 31, 2006, 75 Control employees (representing approximately 70% of the 107 Control employees designated to take this mandatory training) have successfully completed the course.

- a comprehensive three-day revenue recognition training program, which was made mandatory in 2006 for a targeted population of FP&A and Control employees. As of December 31, 2006, 568 FP&A and Control employees (representing approximately 87% of the 650 FP&A and Control employees designated to take this mandatory training) have successfully completed the course.

Nortel retained third party resources and expertise as it considered appropriate to assist with the development and delivery of these training programs. In addition, an Executive Global Finance Training Council has been established to oversee and set priorities for training for Finance employees in accordance with a new Finance training policy, which details minimum annual training requirements (by level) for all Finance employees. In addition to direct feedback from the Executive Finance Training Council (including direction from the Assistant Controller who is a member of the Council), the GFTC group identifies on-going training needs through a variety of sources such as: (i) recommendations from the Company's technical accounting function relative to queries received and errors identified on a consistent basis as well as emerging issues and new accounting guidance; and (ii) informal feedback from other Finance leaders. As new accounting guidance,

pronouncements and directives on U.S. GAAP are promulgated, the Controller and other members of the GFTC group now provide quarterly training and updates, by webcast. Further, Nortel is in the process of developing a Competency and Training Model to define the necessary skill sets for key positions and accompanying training requirements in FP&A and Control. In this connection, Nortel surveyed its Finance leadership team to identify core skills required to successfully perform certain Finance roles and compared the identified skills with its existing training curriculum. The Competency and Training Model will be used to facilitate employee development, evaluate candidates for vacant positions, provide guidelines on mandatory and elective training requirements, and further develop and refine the GFTC group's priorities.

(v) The Company initially created separate Offices of Ethics and Compliance, and in November 2006 combined these functions, which include Internal Audit and Security, under the responsibility of the Chief Compliance Officer. Nortel believes that this new structure will allow for more effective coordination of ethics and compliance activities and is in line with best practices of large multi-national corporations. The Board has appointed, in its assessment, a highly qualified individual to oversee these four key functions. Nortel believes that it has put in place a compliance infrastructure as well as a consistent approach to corporate discipline for breaches of its policies, procedures and Code of Conduct. The Chief Compliance Officer reports directly to the CEO and the Audit Committee and only the Audit Committee can hire or fire the Chief Compliance Officer. The Ethics function is responsible for recommending changes to and interpretations of Nortel's Code of Conduct, improving employee awareness of the Code of Conduct, monitoring annual employee certification of the Code of Conduct, devising and conducting Code-specific and other training for employees, and intake of employee allegations of Code violations. An updated Code of Conduct was issued by the Ethics function in September 2006, and mandatory training in the new Code's provisions and employee certification, where permitted by applicable law, has been implemented. The Compliance function has the following responsibilities: reviewing planned activities and transactions to ensure compliance with Company policies and applicable laws; reviewing policies and procedures to ensure compliance with applicable laws; developing employee compliance training; conducting compliance audits of the business units and regions in which compliance risks are assessed; reviewing findings of compliance audits; monitoring resolution of calls to Nortel's ethics "hot line" to ensure complaints are promptly and thoroughly investigated and resolved; identifying risk areas that require additional training; and identifying potential areas of compliance risk, based on the internal and external environments, and developing corrective action plans. Nortel has enhanced its anti-fraud management process, including by establishing an anti-fraud policy and guidance on how to communicate knowledge of potential fraud under the Code of Conduct. To ensure that Nortel's ethics hot line will remain an effective and active means for employees to report concerns, Nortel continues to promote the use and effectiveness of the hot line to employees. A highly visible icon was developed and is placed on Nortel's Global Web home page to provide employees with a daily visible reminder of the hot line. As a further means of reminding employees of the hot line, posters advertising the hot line were prepared and placed at major facilities in 2006. A follow-up poster campaign is contemplated for 2007. Nortel's ethics certification process requires employees to certify annually that they have read, understood and will comply with the Code of Conduct. The certification process is typically used as another opportunity to remind employees of the requirement to report actual and suspected violations, and of the existence of the hot line. In addition, many of Nortel's general training sessions are used to reinforce the existence and importance of the hot line. Specialized training for Finance employees has also been used to remind Finance employees of the hot line. In late 2006, Nortel launched an on-line scenario-based ethics training module. The training is mandatory for all employees. This training module reinforces the existence and importance of the hot line. One scenario in particular involves using the hot line to deal with employee concerns. Nortel issues a quarterly Compliance newsletter which also publicizes the hot line. In addition to the above, communications from leaders have from time to time reminded employees of the hot line and encouraged them to use it. To demonstrate the effectiveness of the hot line, Nortel is implementing measures to communicate generally to employees, to the extent permitted by privacy laws and Nortel's privacy policy, the results of disciplinary actions arising from reported allegations. This is intended to ensure employees understand that allegations are taken seriously, will be investigated and dealt with thoroughly, and employees are treated similarly. The primary vehicle for communicating such matters to employees will be the quarterly Compliance newsletter. In addition, employees reporting concerns are advised of the results of investigations, to the extent permitted by privacy laws and Nortel's privacy policy. The quarterly Compliance newsletter, as well as Nortel's annual ethics certification process, will serve as a continuing means to communicate the importance of compliance with Nortel's Code of Conduct.

(vi) The Company created a Compliance Committee in February 2006 to oversee the effectiveness of Nortel's compliance program, policies, procedures and the Code of Conduct and provide direction to the Office of Compliance. The Compliance Committee is now composed of Nortel's CEO, CFO, Chief Compliance Officer, Chief Legal Officer, and Executive Vice President, Corporate Operations, in order to ensure coordination of legal, compliance, ethics and risk management programs and activities throughout the Company. The Compliance Committee's oversight responsibilities include: ensuring that the Company's compliance program

is well communicated; regularly reviewing policies, procedures and other internal systems to ensure they are in compliance with the Code of Conduct, relevant laws, and are in alignment with the overall compliance program; receiving reports on calls to the ethics hot line and other sources to verify that each complaint is properly reviewed, investigated and resolved; monitoring on-going compliance training and awareness programs; reviewing the results of compliance audits and actions taken to address audit findings and recommendations; reviewing all reports of fraud or related unethical activities to ensure they are brought to the attention of the Audit Committee and investigated as appropriate; reviewing the compliance risk assessments and proactive actions to address the risks; and monitoring of discipline imposed by the Company to ensure that discipline is fair and consistent across the Company. The Chief Compliance Officer reports on the activities of the Compliance Committee to the Audit Committee on a quarterly basis, including the volume of usage of the ethics hot line and any areas identified by the Compliance function as requiring additional training or potential areas of compliance risk.

Processes:

(vii) In response to the finding of the Independent Review that historically Nortel Finance employees responsible for meeting EBT targets, rather than employees in the Control organization, had authority to record and release provisions, the Board directed management to end that practice by separating the FP&A and Control functions and by vesting the Control organization with sole responsibility for accounting decisions and accounting entries. With the exception of joint venture entities and Nortel Government Solutions, Inc. (a variable interest entity for accounting purposes, which is subject to a "hold separate" arrangement to comply with U.S. national industrial security requirements), the Company implemented the new segregated structure over a six-month period, from September 2005 to February 2006, and the FP&A functions are now separate from the Control function, and the Control organization has had the exclusive authority to approve and post general ledger entries commencing with the closing of Nortel's books and records for the quarter ended March 31, 2006, other than tax-related entries which are approved by the Company's Tax organization.

(viii) Management has restructured the Company's technical accounting function into two groups to provide technical accounting guidance: one for revenue recognition issues, called Global Revenue Governance ("GRG"), and one for all other accounting issues, called Global Technical Accounting ("GTA"). Both GRG and GTA report directly to the Assistant Controller. The mandate of GRG is to render binding guidance on the accounting for revenue recognition for contracts and contract amendments and to serve as the final authority on revenue recognition decisions. The mandate of GTA is to make binding decisions for the accounting on all technical non-revenue issues, including issues related to provisions. Important issues arising out of either GRG or GTA are required to be raised with the Controller for resolution. Internal finance process guidelines ("FPGs") have been adopted to formalize the authority of GRG and GTA. These FPGs contain matrices with dollar thresholds above which the Assistant Controller or the Controller, as applicable, must approve the accounting guidance. New directors of both GRG and GTA, with appropriate technical qualifications, have been recruited from outside Nortel. Management has also increased the staffing of GRG and GTA and upgraded the technical qualifications of their respective personnel.

(ix) Since April 2004, responsibility for drafting and revising Nortel's internal accounting and finance process guidelines has been vested in the Global Finance Policies & Process ("GFPP") group, led by a certified public accountant. The mandate of GFPP is to keep Nortel's internal accounting guidance current and in compliance with U.S. GAAP, to make that guidance "user-friendly" with "real life" examples of practical applications where appropriate and to identify changes to U.S. GAAP and update Nortel's accounting policies accordingly. As at December 31, 2006, GFPP has developed twenty-five accounting guidelines on various topics, including accruals, provisions, revenue recognition and foreign exchange. In addition, GFPP has developed thirteen FPGs on various topics, including manual journal entries, balance sheet reviews, revenue recognition documentation and account reconciliations. Further, as at March 31, 2007, GFPP has reviewed and, where necessary, revised all key internal accounting guidelines and included "real life" examples of practical applications of such guidance where it was considered appropriate. Monthly newsletters to Finance employees are issued on new policies, accounting guidelines and FPGs.

(x) As part of its remediation efforts and to compensate for the material weaknesses in Nortel's internal control over financial reporting, management undertook intensive efforts in 2005 and early 2006 to improve its internal controls and procedures relating to revenue recognition. These efforts included, among other measures, an extensive collection and review by GRG of documentation on customer contracts, comprising approximately 75% of 2005 revenues, to determine whether Nortel's revenue recognition accounting policies were being applied properly and consistently across the organization. As a result of these and other efforts, various revenue recognition errors were identified and adjusted in the 2005 Annual Report, as described in more detail in paragraphs 45-47 of the Settlement Agreement. In the first quarter of 2006, Nortel issued a new FPG requiring a review by GRG for all new contracts and amendments to existing contracts having a total revenue

impact in excess of $5 million. The review is required to be completed by the time of the Audit Committee meeting in respect of the quarter in which the delivery of product, or performance of services or fulfillment of other contractual obligations, occurs. Additional measures have been implemented in an effort to ensure that all contracts are submitted to GRG for binding accounting guidance. For example, GRG is now provided with a quarterly confirmation of all contracts, and incremental approval from the Controller is required for amendments or superseding contracts that change the timing of revenue recognition. Both GRG and Nortel's Contract Assurance group, which group's mandate is to accurately execute on the application of U.S. GAAP and GRG guidance issued pursuant to the new FPG, now report to the Assistant Controller.

(xi) Starting in 2004, Nortel's management has implemented significant controls around manual journal entries ("MJEs") in an effort to reduce their susceptibility to human error and manipulation. These controls include the development and adoption of FPGs that specify the supporting documentation that must be provided before a MJE can be approved and posted to the general ledger, the authority level of individuals authorized to approve MJEs and the segregation of duties among the initiator, approver and poster of the MJE. MJEs and all supporting documentation are required to be loaded into a database to facilitate both record retention and access by all appropriate parties, such as the compliance reviewers, Internal Audit and the external auditors. Also, Finance employees received training on the application of the new MJE controls and their requirements. With the exception of joint venture entities and Nortel Government Solutions, Inc., incremental compliance reviews were commenced in 2005 for all MJEs over a specified dollar value for compliance with the new documentation requirements for MJEs. In 2006, Nortel established the Global MJE Center of Excellence to implement a consistent global compliance review process and global compliance reporting under the leadership of the Company's U.S. Regional Controller, who reports directly to the Controller. Under this global incremental review process, any MJE that fails to satisfy one or more of the substantive requirements (such as failure to attach complete, relevant supporting documents or appropriate approvals) is required to be rejected by the reviewer and returned to the initiator of the MJE for remediation and subsequent validation by the reviewer.

(xii) Beginning with the filing of Nortel's 2004 Form 10-K, management adopted and began to implement a series of improved internal controls on the preparation and review of post closing adjustments ("PCAs"). Because all PCAs are MJEs submitted after the initial consolidation of the financial statements, management determined to apply all of the control requirements governing MJEs to PCAs. To eliminate the potential for inappropriate corporate initiation of PCAs, PCAs must be initiated in the regions or business units, with the exception of normal and appropriate corporate tax, consolidation and elimination entries. Once approved, proposed PCAs are subject to the same incremental compliance review as MJEs. All of the materials relevant to each PCA are loaded into a database that is accessible by all appropriate parties including Nortel's external auditors. The Director of Corporate Consolidations (the "Director") is required to review each proposed PCA for materiality and, based on that analysis, recommend to the Controller the proposed PCAs that should be posted and those that should be placed on a list of unadjusted differences. The Director and Controller then review those recommendations and the underlying accounting rationale, and the Controller must determine which adjustments to record. Any unadjusted differences remaining at the end of this process which have been deemed to be immaterial are required to be reported to the Audit Committee. Management's goal is to remediate the gaps in controls which do not operate effectively to prevent late entries. During 2006, the Corporate Consolidations group commenced a process to review the root causes of PCAs. This process has evolved and, starting in 2007, Corporate Consolidations, with assistance from the SOX group, collects information on each PCA to determine the root cause of the PCA, in particular what (if any) internal control deficiency gave rise to the PCA, and a remediation plan is developed and implemented by the initiator of the PCA, as appropriate, with specific timelines for completion of the required remedial activity. Corporate Consolidations is responsible for tracking the remedial actions against plans and timelines.

(xiii) Commencing in 2005, the Controller initiated weekly meetings, held throughout the quarter-close process until the financial statements are filed, in which technical accounting issues are discussed, monitored and resolved. These meetings are attended by the Controller, Assistant Controller, senior managers in GRG and GTA and other employees, depending on the issues under discussion, and the external auditors.

(xiv) Starting in 2005, Nortel's management has implemented an enhanced balance sheet review ("BSR") process in recognition that timely and thorough BSRs provide an effective internal control. With the exception of tax (which is the responsibility of the Company's Tax organization), all balance sheet line items have been assigned an "owner" within the Control organization who is responsible for overseeing all transactional activity within the account, including determining the propriety of all such activity in compliance with U.S. GAAP and for preparing documentation about the account prior to each quarterly BSR. The BSR process includes a comprehensive evaluation of activity within key liability accounts and a specific focus on the review of provisioning activity as well as cumulative foreign exchange translation adjustment movements. The process also includes a review of restructuring charges, the monitoring of which has been centralized within the

Control function. Each balance sheet account owner must explain the activity in the account and identify the triggering events for all substantial activity. The controls and review processes around current liability balances and related releases have been enhanced through the development of improved continuity schedules (which track quarterly changes in accrued liabilities accounts) with narrative explanation for substantial additions and identification of the triggering events for all substantial releases. The continuity schedules are required to be reviewed and analyzed by Nortel's Corporate Consolidations group and presented by the Controller to the Audit Committee quarterly.

(xv) Beginning in 2005, management enhanced the reviews conducted during its internal quarterly profit and loss meetings ("Results Calls") to provide a forum for discussion of the results for each of its business units separately and the results on a consolidated basis, and discuss the variance analysis to budget, to the prior period and to the prior year. In the Results Calls for each business unit, the finance leader of the business unit, FP&A and the applicable Regional Controller are called upon to identify and discuss significant technical accounting issues, including revenue recognition items, that arose during the period that could affect the results for that period. Where technical accounting issues remain outstanding, they are discussed during the Results Calls as well as during the Controller's accounting issues meetings. To the extent technical accounting issues have not been resolved at the time of the Results Calls, such issues are to be resolved and reported on during the BSRs, which occur prior to the filing of the financial statements.

(xvi) Recognizing that timely and accurate account reconciliations are a priority, Nortel's new management has implemented a policy requiring timely account reconciliations to confirm the accuracy and completeness of ending balances in each general ledger account. In the third quarter of 2006, management issued a new global FPG on the account reconciliation process to outline the requirements for account reconciliations, and which requires quarterly reconciliation of each balance sheet account. Certain accounts determined to be high risk, based on an account risk analysis by the appropriate Control leader, must be reconciled prior to the Audit Committee meeting for the applicable reporting period. Reports are prepared to monitor the timely preparation and review of reconciliations.

(xvii) With respect to foreign exchange, in 2005, Nortel's management enhanced its annual functional currency study which ultimately determines the methodology for translating subsidiary foreign currency results to U.S. dollar reporting currency. The enhanced study improved the analysis and documentation to substantiate the functional currency determination, and is reviewed and approved by the appropriate regional Controller and corporate Controller. In addition, in 2005, management implemented a quarterly process to analyze inter-company balances for compliance with SFAS No. 52, paragraph 20. The Treasury function reviews inter-company loans quarterly and inter-company trade positions annually to assist Control in determining if any balances are of a long-term investment, whereby foreign exchange would be recorded in equity. Systems have been automated to support the translation of a significant operating subsidiary's foreign currency results to U.S. dollar reporting.

(xviii) The Audit Committee has established new priorities for the Internal Audit organization relating to the evaluation of risk exposures for financial reporting, and management has amended the charter for the internal audit function to include oversight responsibilities for the adequacy and effectiveness of financial reporting controls. The Audit Committee realigned the reporting responsibilities for Internal Audit and directed senior management to strengthen significantly the internal audit function in the first quarter of 2004, and also hired a new Internal Audit leader as of July 2005. The head of Internal Audit reports directly to the CEO and the Audit Committee to ensure that Internal Audit is independent from the activities it reviews. Beginning in 2005, Internal Audit work plans include a focus on accounting for transactions, financial reporting and financial reporting controls. Starting in 2006, the Internal Audit work plan includes an assessment of the adequacy and degree of compliance with financial, operational and system controls.

(xix) As part of the efforts to increase awareness of and timely and appropriate remediation of internal controls, in the second quarter of 2006 Nortel established a SOX Steering Committee comprised of senior management from Finance, Legal, Human Resources, Internal Audit, Information Services and Operations. Regular reporting of remediation activities to senior management, including an escalation process to address areas where remediation planned dates were not met was implemented. The SOX vice president regularly meets with Internal Audit and reports to the Audit Committee on the ongoing development, implementation and progress of remedial measures. Training is provided for teams that document and administered controls to improve control design competencies. In addition, the SOX team implemented a revised SOX 404 scope, a comprehensive methodology redesign and changes to the documentation requirements to greatly improve the quality of the SOX 404 documentation. As a result of all of these activities, there was significant remediation in 2006 of internal control deficiencies identified in various business processes that impact the Company's internal control over financial reporting.

(xx) The Board has implemented processes for Nortel's management to provide quarterly assessments in respect of the overall quality and transparency of the Company's financial reporting and suggestions for improvements in its form and content, which Nortel's external auditors have the opportunity to review and comment on. These processes include quarterly reporting by the CFO and Controller to the Board and by the SOX vice president and head of Internal Audit to the Audit Committee. Further, the presidents of the business units are expected to take full responsibility for the respective financial results of their businesses and, commencing in 2007, will be required, on a quarterly rotation basis, to provide presentations to the Board with the Vice President, Finance on the financial results of their respective business units. In addition, the Audit Committee will periodically hold separate executive sessions with the Vice President, Finance to discuss financial issues specific to each business unit.

Technology:

(xxi) In an effort to improve Nortel's financial reporting systems and capabilities, to simplify its multiple accounting systems, and to reduce the number of MJEs, Nortel retained an outside consulting firm to advise on the appropriateness of implementing a Systems, Application and Products ("SAP") platform worldwide that would consolidate many of Nortel's systems into a single integrated financial software system. Based on that advice, Nortel adopted the SAP platform to integrate its processes and systems, and undertook an assessment of existing financial systems and processes to determine the most effective implementation of standard SAP software. The finance design and build for the initial scope of the SAP system, including general ledger functionality, was completed by the end of August 2006, and these processes are planned to be tested and fully deployed during 2007. Once fully deployed, Nortel estimates that MJEs will be reduced by approximately 30%. Processes for additional activities will be built upon this first phase of functionality. Process design for these additional activities has been completed and management expects that the build, testing and deployment will be completed by the third quarter of 2007.

(xxii) The Company's general computing control ("GCC") environment has been strengthened with the implementation of new and enhanced controls. During 2006, numerous control deficiencies were remediated across applications, interfaces and the infrastructure impacting internal control over financial reporting. In particular, Nortel established a standard user management process that facilitates the approval of all user access requests and the removal of accounts when appropriate and implemented regular reviews of business user accounts. Further, Nortel implemented standard and enhanced controls regarding change management to applications to ensure the changes are appropriately tested, approved and implemented. In addition, enhanced security protection of data files used to transfer data from one application to another were implemented. Segregation of duties was improved in the GCC environment by restricting the number of operating system administrators with privileged access maintaining an audit trail of software changes that are made to some key information system applications.

SCHEDULE "D"

REMEDIATION PLAN REFERRED TO IN PARAGRAPH 77 OF THE SETTLEMENT AGREEMENT DATED MAY 16, 2007 BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND NORTEL NETWORKS CORPORATION AND NORTEL NETWORKS LIMITED.

	***ACTION*[1]**	***ESTIMATED TARGET DATE*[1]**	***ADDITIONAL INFORMATION***
Material Weakness Remediation Plan	Implement and continue to develop the following remediation plan to address the root causes of the material weakness in the Company's internal control over financial reporting referred to in paragraph 74 of the Settlement Agreement, as well as other deficiencies in other revenue related controls referred to below:		
	(a) Cross-Functional Communication: (i) conduct analyses of selected revenue related prior period adjustments ("PPAs") initially reported in periodic reports filed during 2006, that were restated as part of the restatement included in the 2006 Annual Report, including those related to LG-Nortel, in order to achieve a better understanding of the root causes of the adjustments and identify other appropriate remedial actions and incorporate those actions into the remediation plan;	Q2 2007	• Initial focus of this analysis will be on revenue related PPAs representing approximately 80% of the total dollar value of all revenue related PPAs initially reported in periodic reports filed during 2006. This analysis will include, among other actions, determining the root cause of the adjustment, whether the root cause indicates a broader issue regarding control deficiencies, and whether additional training may be required on a specific aspect of revenue recognition. • Interviews will be held with the initiators of these PPAs using a detailed template to capture information for further analysis. • PPAs recorded in the first quarter of 2007 affecting revenues, if any, will be included in the analysis.
	(ii) conduct further analyses to obtain a more comprehen-sive understanding of the end-to-end revenue cycle, including the manner and timing of information flow from one functional group to another throughout the Company, in order to identify the specific gaps in communication and to	Q2 2007	• Information will be collected and consolidated on the various components of the revenue cycle, such as Order Management, Project Management, Invoicing and Revenue Recognition. • End-to-end flowcharts of the revenue cycle will be created and confirmed with the relevant managers/directors. • Information collected through this end-to-end review will be compared with information collected through the analysis of

[1] The following action items and estimated target dates represent current planned remedial actions and the estimated fiscal quarter for completion of the particular remedial action, and may be subject to future modifications and adjustments. Remediation Progress Reports will include reasonable details of all such modifications and adjustments and the principal reasons therefor.

	ACTION[1]	ESTIMATED TARGET DATE[1]	ADDITIONAL INFORMATION
	further define roles and responsibilities for communication within the revenue cycle; and		PPAs to identify any inconsistencies. • Control points will be identified, such as points in the revenue cycle where information relevant to revenue accounting is transferred from one group/system to another.
	(iii) implement internal control process changes (including any necessary redefined roles and responsibilities) to address the identified root causes and gaps in cross-functional communication.	Q3 2007	• Controls will be assessed to determine whether they are designed to ensure that information flows completely and accurately throughout the revenue cycle. • Existing controls will be enhanced or new controls will be implemented, as appropriate, including revising job descriptions where necessary to ensure there is clear accountability for these controls. • If it is determined that a control design is adequate, but is not operating effectively, appropriate remediation plans (for example, additional training) will be implemented.
	(b) Segregation of Duties: (i) identify and implement revisions to corporate security policy;	Q2 2007	• The corporate security policy is being reviewed by the SOX technical support team to identify areas where it should be expanded to address issues identified during the 2006 SOX 404 assessment: for example, Information Services personnel having access to business systems.
	(ii) address the specific revenue related segregation of duties deficiencies in internal controls identified in the 2006 SOX 404 assessment, which specifically included lack of segregation of duties in certain instances; and	Q2 2007	• Remediation of deficiencies related to segregation of duties will be tracked as part of the overall deficiency remediation reporting to the SOX management team on a weekly basis and to the SOX Steering Committee on a biweekly basis.
	(iii) as certain of the identified deficiencies relate to insufficient segregation of duties regarding access to computer systems, define and implement an expanded semi-annual user review.	Q3 2007	• Discussions are underway with the Information Services group as to how the group's role needs to change to support the expanded semi-annual user review. • A detailed project plan has been developed specifically to address segregation of duties issues regarding access to computer systems, which is reviewed by the VP SOX on a weekly basis in conjunction with the SOX technology team leader. • As part of Nortel's Finance Transformation project, the Company will implement further programmed rules within computer systems as a layer of preventive controls within the

	ACTION[1]	ESTIMATED TARGET DATE[1]	ADDITIONAL INFORMATION
			systems in order to avoid segregation of duties issues.
	(c) LG-Nortel: (i) develop and implement a finance training policy as part of LG-Nortel's internal controls, similar to the Company's finance training policy;	Q2 2007	• Training of LG-Nortel personnel will be monitored directly by the CFO of LG-Nortel. • LG-Nortel recently appointed an individual from the Control function with U.S. GAAP experience as Assistant Controller of LG-Nortel.
	(ii) in addition to the training on revenue arrangements with multiple deliverables delivered to and completed by Finance and sales personnel of LG-Nortel in Q1 2007, completion of three-day revenue recognition course by appropriate Finance personnel of LG-Nortel; and	Q2 2007	
	(iii) address the deficiencies in internal controls identified in the 2006 SOX 404 assessment specific to LG-Nortel.	Q2 2007	• Other revenue recognition issues to be addressed regarding LG-Nortel are subsumed within the other relevant action items in this Schedule D.
	(d) End User Computing Applications: (i) implement remedial actions to address the revenue related deficiencies in end user computing applications ("EUCAs") identified in the 2006 SOX 404 assessment, and in particular the elimination of unauthorized access to EUCAs.	Q2 2007	• Standards and guidelines for EUCAs (such as spreadsheets) have been revised to address the issues identified in the 2006 SOX 404 assessment, and have been reviewed with the Company's independent accountants. • Remediation of EUCA deficiencies are tracked through the Company's SOX compliance tool, NICAT. • Testing of each EUCA in scope for the 2006 SOX 404 assessment has been scheduled and will take place during April, with overall conclusion on remediation of EUCA deficiencies targeted for May.
	(e) Other Revenue Recognition Training: (i) completion of three-day revenue recognition training and one-day revenue recognition model	Q3 2007	• Targeted populations for training are being re-confirmed since a number of staff have moved between Finance functions. • Reports on attendance are generated

	ACTION[1]	ESTIMATED TARGET DATE[1]	ADDITIONAL INFORMATION
	for revenue arrangements training by targeted population;		monthly to monitor progress and escalate training where required.
	(ii) identify appropriate target population in the sales organization and complete training on revenue recognition and transaction structure models;	Q4 2007	
	(iii) develop revenue recognition training program for the identified order management target population; and	Q2 2007	
	(iv) implement revenue recognition training program for the identified order management target population.	Q4 2007	
	(f) Aid to Implementation of Revenue Recognition Guidelines:		
	(i) develop and implement aids to revenue related accounting guidelines by the Global Revenue Governance group with the goal of heightening the awareness of the Contract Assurance team on identified items.	Q2 2007	• Progress is being monitored through weekly material weakness remediation meetings. • Examples of aids under development include: highlighting that all contracts with a certain type of network element assume a level of customer support for which the fair value is not known, and hence deferral of revenue should be considered; and Rural Utility Service (RUS) contracts most often contain a liquidated damages provision, and hence all RUS contracts should be evaluated with Finance to ensure proper revenue recognition treatment.
	(g) General Computing Controls ("GCC"):		
	(i) remediate the remaining deficiencies in systems that support the end-to-end revenue cycle, such as access by the Information Services group to production systems.	Q2 2007	• The VP SOX meets biweekly with the Information Services SOX leader to review the status of Information Services activities in addressing remaining revenue related deficiencies. • As at April 12, 2007, approximately 57% of the 2006 GCC deficiencies related to revenue recognition had been remediated. •

	***ACTION*[1]**	***ESTIMATED TARGET DATE*[1]**	***ADDITIONAL INFORMATION***
	(h) Deficiency Remediation: (i) apart from those noted in the items above, remediate all specific deficiencies in internal controls identified in the 2006 SOX 404 assessment that impact upon the end-to-end revenue cycle.	Q2 2007	• Reports are generated weekly to highlight progress made on remediation of the specific deficiencies that impact upon the end-to-end revenue cycle, and are reviewed by the VP SOX. • These reports will be distributed to the SOX Steering Committee every two weeks.
People	Review of the skill sets and training of individuals occupying those key positions against the Competency and Training Model to verify individuals occupying those positions have the necessary skill sets and training, and the appropriate professional development plan.	Q2 2007	
	Review the Company's existing mandatory training requirements against the Competency and Training Model and identify any revisions to be made to those mandatory training requirements.	Q3 2007	
Technology	Deployment of SAP system functionality for the general ledger, inter-company accounts, consolidation, direct accounts payable and accounts receivable.	Q2 2007	
	Deployment of SAP system functionality for direct tax, advanced planning, indirect purchasing, fixed assets, research & development, and treasury activities.	Q3 2007	

SCHEDULE "E"

REMEDIATION PROGRESS REPORT TEMPLATE REFERRED TO IN PARAGRAPH 79 OF THE SETTLEMENT AGREEMENT DATED MAY 16, 2007 BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND NORTEL NETWORKS CORPORATION AND NORTEL NETWORKS LIMITED.

1. REPORTING PERIOD

Each report will identify the period to which the report relates (the "reporting period").

2. PROGRESS OF REMEDIATION PLAN

Each report will provide reasonable details of the actions taken during the reporting period for, and status of, each of the remedial measures identified in the Remediation Plan (as set forth on Schedule "D" to the Settlement Agreement). The reports will indicate whether the Company has met or is on track to meet the target timeline for implementation of each remedial measure and, if not, what actions remain outstanding, the principal reasons for the delay and any revised internal timeline to complete such actions. The reports will also include reasonable details of all modifications or adjustments in any of the planned remedial measures identified in the Remediation Report and the principal reasons for such modifications or adjustments.

Should the existing material weakness (as referred to at paragraph 74 of the Settlement Agreement) remain, in whole or in part, at the end of the reporting period, the report will include reasonable details as to the following in respect of each such material weakness:

(i) a description of the material weakness;

(ii) a description of the root causes of the material weakness as identified by management;

(iii) a description of the principal compensating procedures and processes that management has put in place to ensure the reliability of the Company's financial reporting in light of the material weakness;

(iv) the specific remedial actions which management has identified are required to be taken to fully remedy the material weakness or, if such actions have yet to be identified, the process which management proposes to follow to identify such remedial actions; and

(v) the estimated internal timeline for implementing such remedial actions and/or process.

3. TRAINING, COMPLIANCE, ETHICS AND INTERNAL AUDIT

Each report will provide an overview of the areas of focus and activities of the Company's financial accounting training programs and Compliance, Ethics and Internal Audit functions (as described in paragraphs (iv), (v) and (xviii) of Schedule "C" to the Settlement Agreement) during the reporting period, including (without limitation) reporting on:

(i) the activities of the Company's Global Finance Training and Communications group, including remedial and on-going financial accounting training programs developed for Finance, Control and FP&A employees and including the minimum annual training requirements established for Finance employees;

(ii) the communications activities of the Ethics and Compliance functions, including activities directed towards the promotion of Nortel's ethics "hot line", the volume of calls received by the hot line and an overview of the categories of areas raised in such calls; and

(iii) progress on the testing and deployment of the SAP system.

4. CONFIRMATIONS

Each report will confirm that the report has been reviewed by the Company's Chief Compliance Officer and the Audit Committee and reflects their comments, if any, on the report.

Where applicable, a report will confirm whether:

(i) the Company has remedied the material weakness in its internal controls over financial reporting to the satisfaction of its external auditors; and/or

(ii) the Company has completed the implementation of the Remediation Plan.

5. SIGNATURES

Each report will be signed by the Chief Financial Officer and Controller of the Company.

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Grove Energy Ltd.	14 May 07	25 May 07		
Milner Consolidated Silver Mines Ltd.	04 May 07	16 May 07		18 May 07
Rage Energy Limited	11 May 07	23 May 07	23 May 07	

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Dragon Capital Corporation	18 May 07	31 May 07			
Lingo Media Inc.	07 May 07	18 May 07		21 May 07	
Menu Foods Income Fund	18 May 07	31 May 07			
Pearl River Holdings Limited	08 May 07	18 May 07	18 May 07		
Research In Motion Limited	24 Oct 06	07 Nov 06	07 Nov 06	23 May 07	
Simplex Solutions Inc.	07 May 07	18 May 07	18 May 07		
Urbanfund Corp.	07 May 07	18 May 07	18 May 07		

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
AireSurf Networks Holdings Inc.	02 May 07	15 May 07	15 May 07		
AldeaVision Solutions Inc.	03 May 07	16 May 07	16 May 07		
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
CoolBrands International Inc.	30 Nov 06	13 Dec 06	13 Dec 06		
Consolidated HCI Holdings Corporation	16 May 07	29 May 07			
Dragon Capital Corporation	18 May 07	31 May 07			
Fareport Capital Inc.	13 Sep 05	26 Sep 05	26 Sep 05		
Hip Interactive Corp.	04 Jul 05	15 Jul 05	15 Jul 05		
HMZ Metals Inc.	03 Apr 06	14 Apr 06	17 Apr 06		

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
IMAX Corporation	03 Apr 07	16 Apr 07	16 Apr 07		
Interquest Incorporated	02 May 07	15 May 07	15 May 07		
Lingo Media Inc.	07 May 07	18 May 07		21 May 07	
Luxell Technologies Inc.	27 Apr 07	10 May 07	11 May 07		
Menu Foods Income Fund	18 May 07	31 May 07			
Pearl River Holdings Limited	08 May 07	18 May 07	18 May 07		
Research In Motion Limited	24 Oct 06	07 Nov 06	07 Nov 06	23 May 07	
Sierra Minerals Inc.	04 Apr 07	17 Apr 07	17 Apr 07		
Simplex Solutions Inc.	07 May 07	18 May 07	18 May 07		
SR Telecom Inc.	05 Apr 07	18 Apr 07	19 Apr 07		
Urbanfund Corp.	07 May 07	18 May 07	18 May 07		

Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
04/25/2007	22	Ajax Re Limited - Notes	111,450,000.00	N/A
05/01/2007	217	Aura Gold Inc. - Receipts	100,800,000.00	126,000,000.00
05/04/2007	26	Automated Benefits Corp. - Units	3,668,800.00	18,344,000.00
04/26/2007 to 05/02/2007	65	Avalon Exploration Ltd. - Common Shares	13,318,460.00	5,176,922.00
04/27/2007	39	Avant Garde Energy Corp. - Common Shares	15,385,000.00	12,308,000.00
04/27/2007	1	Bank of Ireland - Notes	500,000,000.00	500,000,000.00
04/27/2007	51	Bard Ventures Ltd. - Units	4,809,420.00	N/A
05/09/2007	13	BHF Waste Management Limited Partnership - Limited Partnership Units	615,000.00	61,500.00
03/26/2007 to 04/05/2007	24	Canadian Rockport Homes International Inc. - Units	387,920.00	10,000.00
05/08/2007	1	Carillon Ltd. - Notes	12,100,000.00	N/A
05/03/2007	4	Carmax Explorations Ltd. - Units	600,000.00	6,000,000.00
04/20/2007	15	CC&L Infrastructure Limited Partnership - Units	3,600,000.00	348,077.00
04/19/2007	1	CIT Fund - Trust Units	38,587,875.00	4,151,482.37
05/08/2007	24	Coniagas Resources Limited - Units	1,200,000.00	3,000,000.00
05/08/2007	27	Cusac Gold Mines Ltd. - Units	1,474,250.00	N/A
05/02/2007	5	Exploration Dios Inc. - Units	1,874,950.00	2,778,500.00
01/04/2007 to 01/30/2007	6	First Leaside Fund - Trust Units	414,635.00	414,635.00
01/04/2007 to 01/30/2007	2	First Leaside Properties Limited Partnership - Trust Units	20,546.00	N/A
01/04/2007 to 01/31/2007	12	First Leaside Wealth Management Inc. - Preferred Shares	1,347,062.50	1,077,650.00
05/04/2007	45	First Metals Inc. - Notes	19,600,000.00	N/A
05/04/2007	154	First Nickel Inc. - Common Shares	17,250,000.00	15,000,000.00
05/03/2007	117	First Uranium Corporation - Debentures	150,000,000.00	150,000.00
04/30/2007 to 05/04/2007	27	General Motors Acceptance Corporation of Canada, Limited - Notes	6,685,225.23	6,685,225.23

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
05/10/2007	1	GMO International Core Equity Fund-III - Units	107,076.18	2,256.74
05/01/2007	1	GMO International Opportunities Equity Alloc Fund - Units	48,291.63	1,853.15
04/30/2007	42	Green Breeze Energy Systems Inc. - Common Shares	610,000.00	305,000.00
04/27/2007	67	Horizon FX Limited Partnership - Limited Partnership Units	1,387,314.67	1,241,556.00
04/30/2007	4	Intrepid Energy Corporation - Flow-Through Shares	2,525,040.70	935,200.00
12/20/2006 to 01/12/2007	86	Ivory Energy Inc. - Units	6,148,374.95	N/A
04/25/2007	2	KBSH Private - Balanced Registered Fund - Units	49,327.34	4,195.00
04/30/2007	1	KBSH Private - Canadian Equity Fund - Units	28,600.00	1,527.70
05/04/2007	1	KBSH Private - Canadian Equity Fund - Units	6,300.00	335.18
04/30/2007	1	KBSH Private - Canadian Equity Value Fund - Units	30,800.00	2,778.03
05/04/2007	1	KBSH Private - Canadian Equity Value Fund - Units	6,300.00	567.36
04/30/2007	1	KBSH Private - Fixed Income Fund - Units	55,361.49	5,426.00
05/04/2007	2	KBSH Private - Fixed Income Fund - Units	36,298.34	36,298.34
04/30/2007	1	KBSH Private - Global Value Fund - Units	44,000.00	4,095.31
05/04/2007	1	KBSH Private - Global Value Fund - Units	11,250.00	1,052.68
04/30/2007	1	KBSH Private - International Equity Fund - Units	22,000.00	1,749.92
05/04/2007	1	KBSH Private - International Equity Fund - Units	4,500.00	361.71
04/30/2007	1	KBSH Private - Special Equity Fund - Units	17,600.00	634.05
04/30/2007	1	KBSH Private - U.S. Equity Fund - Units	22,000.00	1,572.77
05/04/2007	2	KBSH Private - U.S. Equity Fund - Units	15,700.00	1,125.61
05/04/2007	1	KBSH Private North American Special Equity Fund - Units	2,700.00	95.82
04/30/2007	1	Kimex Retail Land and Development Fund I, L.P. - Limited Partnership Interest	2,213,400.00	2,213,400.00
04/30/2007	31	Luxell Technologies Inc. - Notes	3,750,000.00	N/A
05/03/2007	1	Macusani Yellowcake Inc. - Units	40,251.75	3,918,998.00
05/01/2007	1	Magenta II Mortgage Investment Corporation - Common Shares	55,000.00	55,000.00
04/30/2007	1	Metanor Resources Inc. - Common Shares	250,000.00	416,666.00
08/18/2006 to 03/06/2007	4	MGI Canadian Equity Fund - Units	18,958,144.14	1,847,666.18

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/18/2006 to 02/09/2007	1	MGI Fixed Income Fund - Units	11,563,975.00	1,165,977.97
06/21/2006 to 03/07/2007	4	MGI International Equity Fund - Units	13,953,004.00	1,341,609.78
08/18/2006 to 03/07/2007	3	MGI Long Bond Fund - Units	13,589,549.00	1,347,471.02
11/07/2006 to 03/01/2007	4	MGI Money Market Fund - Units	1,762,228.00	176,222.80
08/22/2006 to 03/09/2007	3	MGI US Equity Fund - Units	904,889.00	948,742.24
05/02/2007	116	Monarch Energy Limited - Units	6,028,500.00	20,095,000.00
05/09/2007	31	MPH Ventures Corp. - Common Shares	1,000,000.00	5,000,000.00
05/02/2007	11	Nelson Financial Group Ltd. - Notes	1,845,498.89	11.00
04/20/2007	2	Newport Diversified Hedge Fund - Units	607,795.80	4,486.23
05/01/2007	29	NIR Diagnostics Inc. - Units	977,500.00	4,887,500.00
05/01/2007	7	North American Financial Group Inc. - Debt	202,000.00	35.00
05/02/2007	10	Northern Abitibi Mining Corp. - Units	550,000.00	4,583,333.00
04/30/2007	3	Park Square Capital Credit Opportunities L.P. - Limited Partnership Interest	570,863,400.00	N/A
05/04/2007	1	PharmaGap Inc. - Units	550,000.00	2,000,000.00
03/27/2007	23	PMIC I Investments Ltd. - Preferred Shares	826,793.00	826,793.00
05/03/2007	6	Prysmian S.p.a. - Common Shares	6,729,000.00	300,000.00
02/07/2007	33	Pyramid Petroleum Inc. - Debentures	644,000.00	644,000.00
04/30/2007	48	Searchgold Resources Inc. - Units	1,500,000.00	1,500.00
04/28/2007	1	Sector Re Ltd. - Notes	28,000,000.00	1.00
04/30/2007	91	Secure Energy Services Inc. - Common Shares	14,382,839.50	9,588,560.00
04/27/2007	2	Sextant Strategic Opportunities Hedge Fund LP - Units	300,000.00	11,473.80
04/30/2007	65	Skana Exploration Ltd. - Common Shares	6,383,000.00	6,383,000.00
04/30/2007	18	Sonic Environmental Solutions Inc. - Units	4,528,800.00	10,064,000.00
04/26/2007	32	Source Exploration Corp. - Common Shares	706,998.56	3,534,993.00
05/04/2007	24	Soyers Capital Limited - Common Shares	304,000.00	3,040,000.00
04/30/2007	14	Spartan BioScience Inc. - Common Shares	1,060,000.00	2,079.90
04/11/2007	2	Stans Energy Corp. - Common Shares	50,000.00	50,000.00
05/07/2007	4	Superior Canadian Resources Inc. - Flow-Through Shares	556,250.00	4,450,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
04/23/2007 to 05/04/2007	14	TMIC Inc. - Common Shares	410,000.00	N/A
05/03/2007	43	Trans America Industries Ltd. - Units	7,635,000.00	7,635,000.00
05/01/2007	77	Uranium Power Corp. - Units	12,500,000.00	1,250,000.00
05/04/2007	2	USI Holdings Corporation - Notes	992,617.00	890,000.00
05/04/2007	46	ValGold Resources Ltd. - Units	3,035,424.60	11,674,710.00
04/30/2007	93	Walton AZ Sunland Ranch 2 Investment Corporation - Common Shares	2,604,260.00	260,426.00
04/27/2007	48	Walton TX Wagner Fields Limited Partnership - Limited Partnership Units	934,091.42	81,014.00
04/18/2007	1	Zoran K Corporation - Debentures	100,000.00	1.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Anvil Mining Limited
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated May 18, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
10,769,230 Common Shares - C$147,999,988.00
Price: C$16.25 per Common Share
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
BMO Nesbitt Burns Inc.
Haywood Securities Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #1105085

Issuer Name:
Artis Real Estate Investment Trust
Principal Regulator - Manitoba
Type and Date:
Preliminary Short Form Prospectus dated May 16, 2007
Mutual Reliance Review System Receipt dated May 16, 2007
Offering Price and Description:
$80,080,000.00 - 4,550,000 Units Price: $17.60 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Canaccord Capital Corporation
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Trilon Securities Corporation
Bieber Securities Inc.
WestWind Partners Inc.
Promoter(s):
-
Project #1104030

Issuer Name:
Beacon Acquisition Partners Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated May 17, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
Minimum Offering: $450,000.00 (2,250,000 Common Shares)
Maximum Offering: $600,000.00 (3,000,000 Common Shares)
Price: $0.20 per Common Share
Minimum Subscription: $300 (1,500 Common Shares)
Underwriter(s) or Distributor(s):
Wellington West Capital Inc.
Promoter(s):
-
Project #1104702

Issuer Name:
Brookshire Raw Materials (Canada) Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 15, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Northern Securities Inc.
Northern Securities Inc.
Promoter(s):
Brookshire Raw Materials Group Inc.
Project #1104162

Issuer Name:
Corridor Resources Inc.
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Short Form Prospectus dated May 16, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
$40,002,000.00 - 3,540,000 Common Shares
$20,020,000.00 - 1,400,000 Flow-Through Shares
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Jennings Capital Inc.
D & D Securities Company
Beacon Securities Limited
Promoter(s):
-
Project #1104530

Issuer Name:
Duvernay Oil Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 17, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
$60,525,000.00 - 1,500,000 Common Shares
Underwriter(s) or Distributor(s):
Peters & Co. Limited
FirstEnergy Capital Corp.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Canaccord Capital Corporation
Cormark Securities Inc.
Octagon Capital Corporation
Raymond James Ltd.
Promoter(s):
-
Project #1104763

Issuer Name:
Eveready Income Fund
Principal Regulator – Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 18, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
$43,500,315.00 - 8,130,900 Units
Price: $5.35 per Unit
Underwriter(s) or Distributor(s):
Blackmont Capital Inc.
Cormark Securities Inc.
CIBC World Markets Inc.
TD Securities Inc.
National Bank Financial Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #1105196

Issuer Name:
Fletcher Nickel Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 14, 2007
Mutual Reliance Review System Receipt dated May 16, 2007
Offering Price and Description:
Flow-Through Common Share Offering
$4,000,000.00 - 4,000,000 Flow-Through Common Shares
$1.00 per Flow-Through Common Share

Unit Offering
$2,000,000.00 - 2,000,000 Units - $1.00 per Unit and 1,500,000 Common Shares and 150,000 Compensation Options
Issuable Upon Exercise of Previously Issued Special Warrants and Special Compensation Warrants
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
D&D Securities Company
Promoter(s):
Douglas M. Flett
Frank C. Smeenk
Thomas H. Poupore
Project #1103134

Issuer Name:
Fortress Paper Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated May 18, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
$ * - * Common Shares
Price: $ * per Common Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
Raymond James Ltd.
Promoter(s):
Chadwick Wasilenkoff
Project #1105519

Issuer Name:
Jinshan Gold Mines Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated May 16, 2007
Mutual Reliance Review System Receipt dated May 16, 2007
Offering Price and Description:
Cdn.$22,500,000.00 - * Units consisting of * Common Shares and
* Purchase Warrants
Underwriter(s) or Distributor(s):
Salman Partners Inc.
BMO Nesbitt Burns Inc.
Dundee Securities Corporation
Promoter(s):
-
Project #1104263

Issuer Name:
Marimba Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated May 11, 2007
Mutual Reliance Review System Receipt dated May 16, 2007
Offering Price and Description:
$300,000 - 1,200,000 Common Shares
Price: $0.25 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Quest Capital Corp.
Project #1104302

Issuer Name:
McCoy Corporation
Principal Regulator – Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 17, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
$ * - * Common Shares
Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1104375

Issuer Name:
OceanaGold Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 15, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
$ * - * Common Shares
Price: $ * per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Haywood Securities Inc.
Westwind Partners Inc.
Promoter(s):
-
Project #1104368

Issuer Name:
Primary Petroleum Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated May 17, 2007
Mutual Reliance Review System Receipt dated May 22, 2007
Offering Price and Description:
$7,500,000.00 - * Units
Price: $ * per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Michele Marrandino
Project #1105271

Issuer Name:
Scandinavian Minerals Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated May 18, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
$35,000,000.00 - 4,000,000 Common Shares
Price: $8.75 per Common Share
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Canaccord Capital Corporation
Promoter(s):
-
Project #1105244

Issuer Name:
Standard Life Corporate High Yield Bond Fund
Standard Life Dividend Income Fund
Standard Life European Equity Fund
Standard Life Global Monthly Income Fund
Standard Life International Equity Fund
Standard Life U.S. Equity Focus Fund
Standard Life U.S.Dividend Growth Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Simplified Prospectuses dated May 18, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
O-Series 1, A-Series, E-Series, Legend Series
Underwriter(s) or Distributor(s):
-
Promoter(s):
Standard Life Mutual Funds Ltd.
Project #1105026

Issuer Name:
Supratek Pharma Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated May 18, 2007
Mutual Reliance Review System Receipt dated May 22, 2007
Offering Price and Description:
$ * - * Common Shares
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Loewen, Ondaatje, McCutcheon Limited
Promoter(s):
-
Project #1105453

Issuer Name:
TeraGo Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 16, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
$ * - * Common Shares
Price: $ * per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Genuity Capital Markets G.P.
Promoter(s):
-
Project #1104644

Issuer Name:
Terrane Metals Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated May 22, 2007
Mutual Reliance Review System Receipt dated May 22, 2007
Offering Price and Description:
$ * - * Units and * Flow-Through Shares
Price: $ * per Unit and Flow-Through Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #1105845

Issuer Name:
Visible Gold Mines Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated May 14, 2007
Mutual Reliance Review System Receipt dated May 16, 2007
Offering Price and Description:
$3,000,000.00 to $5,000,000.00 - 3,000 to 5,000 Units
Price: $1,000 per Unit
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
Promoter(s):
Fieldex Exploration Inc.
Project #1103650

Issuer Name:
Acker Finley Canada Focus Fund (formerly, QSA Canada Focus Fund)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated May 18, 2007
Mutual Reliance Review System Receipt dated May 22, 2007
Offering Price and Description:
Mutual fund trust units at net asset value
Underwriter(s) or Distributor(s):
Acker Finley Asset Management Inc.
Promoter(s):
-
Project #1084248

Issuer Name:
Altamira Biotechnology Fund
Altamira Global 20 Fund
Altamira Global Financial Services Fund
Altamira Global Value Fund
Altamira Health Sciences Fund
AlAltamira Income Fund
Altamira Precision Dow 30 Index Fund
Altamira Precision U.S. Midcap Index Fund
Altamira Precision U.S. RSP Index Fund
Altamira Select American Fund
Altamira US Larger Company Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated May 15, 2007 to Final Simplified Prospectuses and Annual Information Forms dated August 31, 2006
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Altamira Financial Services Ltd.
Altamira Financial Services Ltd.
Promoter(s):
Altamira Investment Services Inc.
Project #967017

Issuer Name:
BioMS Medical Corp.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated May 15, 2007
Mutual Reliance Review System Receipt dated May 16, 2007
Offering Price and Description:
$38,500,000.00 - 14,000,000 Units Price: $2.75 per Unit
Underwriter(s) or Distributor(s):
Orion Securities Inc.
Desjardins Securities Inc.
Versant Partners Inc.
Promoter(s):
-
Project #1080910

Issuer Name:
BMO AIR MILES Money Market Fund
BMO Asset Allocation Fund
BMO Bond Fund
BMO Canadian Equity Class
BMO Diversified Income Fund
BMO Dividend Class
BMO Dividend Fund
BMO Emerging Markets Fund
BMO Equity Fund
BMO Equity Index Fund
BMO European Fund
BMO FundSelect Aggressive Growth Portfolio
BMO FundSelect Balanced Portfolio
BMO FundSelect Growth Portfolio
BMO FundSelect Security Portfolio
BMO Global Dividend Class
BMO Global Equity Class
BMO Global High Yield Bond Fund
BMO Global Monthly Income Fund
BMO Global Science & Technology Fund
BMO Greater China Class
BMO Income Trust Fund
BMO International Equity Fund
BMO International Index Fund
BMO Japanese Fund
BMO LifeStage Plus 2015 Fund
BMO LifeStage Plus 2020 Fund
BMO LifeStage Plus 2025 Fund
BMO LifeStage Plus 2030 Fund
BMO Money Market Fund
BMO Monthly Income Fund
BMO Mortgage and Short-Term Income Fund
BMO North American Dividend Fund
BMO Precious Metals Fund
BMO Premium Money Market Fund
BMO Resource Fund
BMO Short-Term Income Class
BMO Special Equity Fund
BMO T-Bill Fund
BMO U.S. Dollar Equity Index Fund
BMO U.S. Dollar Money Market Fund
BMO U.S. Dollar Monthly Income Fund
BMO U.S. Equity Class
BMO U.S. Equity Fund
BMO U.S. Equity Index Fund
BMO U.S. Growth Fund
BMO U.S. Special Equity Fund
BMO World Bond Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 2, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
BMO Investments Inc.
BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #1070517

Issuer Name:
Capital BLF Inc.
Principal Regulator - Quebec
Type and Date:
Final CPC Prospectus dated May 17, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
Minimum Offering: $1,000,000.00 or 5,000,000 common shares
Maximum Offering: $1,500,000.00 or 7,500,000 common shares
Price: $0.20 per common share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Promoter(s):
Claude Blanchet
Project #1084512

Issuer Name:
Connacher Oil and Gas Limited
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated May 17, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
Cdn. $87,000,000.00 - 4.75% Convertible Senior Unsecured Debentures Due June 30, 2012
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
GMP Securities L.P.
Orion Securities Inc.
Raymond James Ltd.
D & D Securities Company
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Jennings Capital Inc.
Promoter(s):
-
Project #1098980

Issuer Name:
Feel Good Cars Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 18, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Promoter(s):
Ian Clifford
Project #1097605

Issuer Name:
Grey Wolf Exploration Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated May 17, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
$10,075,000.00 - 3,100,000 Common Shares Price $3.25 per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
WestWind Partners Inc.
Salman Partners Inc.
Promoter(s):
-
Project #1097776

Issuer Name:
imaxx Canadian Balanced Fund
imaxx Canadian Bond Fund
imaxx Canadian Dividend Fund
imaxx Canadian Equity Growth Fund
imaxx Canadian Equity Value Fund
imaxx Canadian Fixed Pay Fund
imaxx Canadian Small Cap Fund
imaxx Global Equity Growth Fund
imaxx Global Equity Value Fund
imaxx Money Market Fund
imaxx TOP Aggressive Growth Portfolio
imaxx TOP Balanced Portfolio
imaxx TOP Conservative Portfolio
imaxx TOP Growth Portfolio
imaxx TOP Income Portfolio
imaxx US Equity Growth Fund
imaxx US Equity Value Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 18, 2007
Mutual Reliance Review System Receipt dated May 22, 2007
Offering Price and Description:
A and F Class Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1095733

Issuer Name:
Imperial Canadian Bond Pool
Imperial Canadian Dividend Income Pool
Imperial Canadian Dividend Pool
Imperial Canadian Equity Pool
Imperial Canadian Income Trust Pool
Imperial Emerging Economies Pool
Imperial International Bond Pool
Imperial International Equity Pool
Imperial Money Market Pool
Imperial Overseas Equity Pool
Imperial Registered International Equity Index Pool
Imperial Registered U.S. Equity Index Pool
Imperial Short-Term Bond Pool
Imperial U.S. Equity Pool
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated May 18, 2007
Mutual Reliance Review System Receipt dated May 18, 2007
Offering Price and Description:
Mutual Fund securities @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1080800

Issuer Name:
LE CHATEAU INC.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated May 17, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
$18,900,000.00 -300,000 Subordinate Voting Shares Price: $63.00 per share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Promoter(s):
-
Project #1099389

Issuer Name:
Provident Energy Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated May 16, 2007
Mutual Reliance Review System Receipt dated May 16, 2007
Offering Price and Description:
$325,000,011.75 - 25,490,197 Subscription Receipts Price: $12.75 Per Subscription Receipt
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
TD Securities Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #1098689

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Issuer Name:
Vistior Capital Limited
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated May 14, 2007
Mutual Reliance Review System Receipt dated May 17, 2007
Offering Price and Description:
$400,000.00 - 2,000,000 Common Shares PRICE: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Blackmont Capital Inc.
Promoter(s):
Rami E. Younes
Project #1017550

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Consent to Suspension (Rule 33-501 - *Surrender of Registration*)	Real Capital Ltd.	Limited Market Dealer.	17-May-2007
New Firm Registration	Catapult Financial Management Inc.	Investment Counsel & Portfolio Manager	18-May-2007
Change of Registration Category	Aegon Capital Management Inc.	From: Limited Market Dealer & Investment Counsel & Portfolio Manager To: Limited Market Dealer & Investment Counsel & Portfolio Manager & Commodity Trading Manager	22-May-2007
New Firm Registration	KV Services Limited	International Advisor (Investment Counsel and Portfolio Manager)	22-May-2007
Name Change	Old Name: IXIS Securities North America Inc. New Name: Natixis Securities North America Inc.	International Dealer	May 4, 2007

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 MFDA Sets Date for Keith Oswald Wong Hearing in Toronto, Ontario

NEWS RELEASE
For immediate release

MFDA SETS DATE FOR KEITH OSWALD WONG HEARING IN TORONTO, ONTARIO

May 17, 2007 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of Keith Wong by Notice of Hearing dated April 2, 2007.

As specified in the Notice of Hearing, the first appearance in this proceeding took place today at 10:00 a.m. (Eastern) before a three-member Hearing Panel of the MFDA Central Regional Council.

The commencement of the hearing of this matter on the merits has been scheduled to take place before a Hearing Panel of the Central Regional Council on Tuesday, June 19, 2007 at 10:00 a.m. (Eastern) in the Hearing Room located at the offices of the MFDA at 121 King Street West, Suite 1000, Toronto, Ontario, or as soon thereafter as the hearing can be held.

The hearing will be open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA web site at **www.mfda.ca**.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 163 members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Yvette MacDougall
Hearings Coordinator
(416) 943-4606 or ymacdougall@mfda.ca

13.1.2 MFDA Hearing Panel Approves Settlement Agreement with Robert Michael Smylski

NEWS RELEASE
For immediate release

MFDA HEARING PANEL APPROVES SETTLEMENT AGREEMENT WITH ROBERT MICHAEL SMYLSKI

May 22, 2007 (Calgary, Alberta) – A Settlement Hearing in the Matter of Robert Smylski was held today before a Hearing Panel of the Prairie Regional Council of the Mutual Fund Dealers Association of Canada ("MFDA"). The Hearing Panel approved the Settlement Agreement between the MFDA and Mr. Smylski. The following is a summary of the Orders made by the Hearing Panel:

- A permanent prohibition on the authority of Mr. Smylski to conduct securities related business while in the employ of, or associated with, any MFDA Member; and
- A fine in the amount of $5000.

The Hearing Panel advised that it would issue written reasons in due course.

A copy of the Order and Settlement Agreement are available on the MFDA website at **www.mfda.ca**.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 163 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Shaun Devlin
Vice-President, Enforcement
(416) 943-4672 or sdevlin@mfda.ca

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Chapter 25

Other Information

25.1 Approvals

25.1.1 Northwood Stephens Private Counsel Inc. - s. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act – Application for approval to act as trustee of pooled funds to be established and managed by the applicant and offered pursuant to a prospectus exemption.

Applicable Legislative Provisions:

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., s. 213(3)(b).

April 20, 2007

Borden Ladner Gervais LLP
Scotia Plaza, 40 King Street West
Toronto, Ontario M5H 3Y4

Attention: Kathryn M. Fuller

Dear Sirs/Mesdames:

RE: Northwood Stephens Private Counsel Inc. (the "Applicant")
Application for approval to act as trustee pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario)
Application No. 2007/0233

Further to your application dated March 20, 2007 (the "Application") filed on behalf of the Applicant, and based on the facts set out in the Application and the representation by the Applicant that assets of the NSPC Fixed Income Fund, NSPC Dividend Income Fund, NSPC Canadian Equity Fund, NSPC US Equity Fund and NSPC International Equity Fund (the "NSPC Funds") and any other future mutual fund trusts for which the Applicant acts as manager, will be held in the custody of a trust company incorporated and licensed or registered under the laws of Canada or a jurisdiction or a bank listed in Schedule I, II or III of the Bank Act (Canada) or an affiliate of such bank or trust company, the Ontario Securities Commission (the "Commission") makes the following order:

Pursuant to the authority conferred on the Commission in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that the Applicant act as trustee of the NSPC Funds and any other future mutual fund trusts for which the Applicant acts as manager, the securities of which will be offered pursuant to a prospectus exemption.

Yours truly,

"Robert L. Shirriff"

"Suresh Thakrar"

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