

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

-AND-

**IN THE MATTER OF
ANTHONY IANNO AND
SAVERIO MANZO**

**SETTLEMENT AGREEMENT OF
SAVERIO MANZO**

PART I – INTRODUCTION

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Saverio Manzo (the “Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by Notice of Hearing dated March 8, 2010 (the “Proceeding”) against the Respondent according to the terms and conditions set out in Part VI of this Settlement Agreement. The Respondent agrees to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

3. For this proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

4. The Respondent is an individual resident in Ontario. Between October 1992 and April 2003, the Respondent was registered with the Commission as a mutual funds salesperson.
5. Covalon Technologies Ltd. (“Covalon”) is a reporting issuer in Ontario that trades on the Toronto Stock Exchange Venture Exchange (“TSXV”) under the trading symbol “COV”. Covalon is a medical biosystems company.
6. Between January 2007 and April 2008, the Respondent purchased approximately 935,000 shares of Covalon. The purchases were made in 10 different accounts held at 5 different brokerage firms. Some of the accounts were held in the Respondent’s name, and some were in the name of Financial Concepts, a sole proprietorship owned by the Respondent.
7. In the period between November 2007 and April 2008, the Respondent engaged in trading in which he intended to or did raise or maintain the price of Covalon shares.
8. During this period, the majority of the Respondent’s purchases of Covalon shares were active trades. A significant portion of these active trades caused an uptick in the price of Covalon shares. A significant portion of these active trades also occurred within 15 minutes of the close of the trading day.
9. Of these late-day trades, the majority occurred after 15:59:00 (daily trading on the TSXV closes at 16:00 Toronto time) and a significant proportion constituted the closing trade of the day in Covalon shares. The Respondent frequently made late day trades of only 100 Covalon shares, which is the minimum Standard Trading Unit (meaning the minimum quantity of shares that can be included in the stock exchange’s price data) for purchases on the TSXV. These closing trades frequently had the effect of setting the closing price in Covalon shares, often on an uptick.
10. In addition, the Respondent frequently entered improving bids (meaning bids which increased the price of the prevailing bid) at or near the close of trading. These improving

bids were nearly all for volumes of only 100 shares, which is the minimum Standard Trading Unit for bids on the TSXV.

11. Finally, in the period between November 2007 and April 2008, the Respondent was in contact with Anthony Ianno (“Ianno”) and coordinated certain of his own purchases of Covalon shares with those of Ianno.

PART IV – RESPONDENT’S POSITION

12. The Respondent requests that the settlement hearing panel consider the following mitigating circumstances:
 - (a) The Respondent states that Ianno promoted and encouraged his purchases of Covalon shares;
 - (b) all of the trades at issue were placed by the Respondent through various registered market intermediaries, all of whom agreed to execute the trade at the time and price requested by the Respondent; at no time did any market intermediary either decline to execute the trade or subsequently cancel the trade
 - (c) all of the trades at issue were open market arm’s length purchases made by the Respondent further to his intention to accumulate a significant position in Covalon for the purposes of long term investment in a company ranked during this period as a “TSX Venture 50” company and as one of the top 10 technology and life sciences issuers on the TSXV;
 - (d) as a result of the Respondent’s investment in shares of Covalon, the Respondent sustained a net loss of approximately \$2 million;
 - (e) the Respondent acknowledges and accepts responsibility for his conduct and now understands how the trading at issue could be regarded by the Commission as contrary to the public interest;

- (f) The Respondent was at no time an officer, director or insider of Covalon nor did he base any trading activity on the receipt of any insider information;
- (g) the Respondent cooperated with the investigation of this matter; and
- (h) The Respondent has not been the subject of any prior Commission proceedings or orders.

PART V – CONDUCT CONTRARY TO THE PUBLIC INTEREST

- 13. By engaging in the conduct described above the Respondent acted contrary to the public interest.

PART VI – TERMS OF SETTLEMENT

- 14. The Respondent agrees to the terms of settlement listed below.
- 15. The Commission will make an order pursuant to section 127(1) and section 127.1 of the Act that:
 - (a) The settlement agreement is approved.
 - (b) Trading in any securities by or of the Respondent cease for a period of 4 years commencing on the date of the Commission's order
 - (c) Acquisition of any securities by the Respondent is prohibited for a period of 4 years commencing on the date of the Commission's order.
 - (d) Any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 4 years commencing on the date of the Commission's order.
 - (e) Clauses (b), (c) and (d) above are subject to the exception that the Respondent is permitted to transfer within 60 days to, and trade through, any registered retirement savings account and/or a registered retirement income fund (as defined

in the *Income Tax Act (Canada)*) (“RRSP”) in which the Respondent has sole legal and beneficial ownership provided that:

1. the securities traded are listed and posted for trading on the Toronto Stock Exchange or the New York Stock Exchange (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer;
 2. the Respondent does not own legally or beneficially (in the aggregate, together or with others) more than one percent of the outstanding securities of the class or series of the class in question; and
 3. the Respondent carries out any trading through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in the Respondent’s name only.
- (f) The Respondent is reprimanded.
- (g) The Respondent is prohibited from becoming or acting as a director or officer of a reporting issuer for a period of 4 years from the date of the Commission’s order.
- (h) The Respondent is prohibited from becoming or acting as a registrant for a period of 4 years from the date of the Commission’s order.
- (i) The Respondent is prohibited from becoming or acting as a promoter for a period of 4 years from the Commission’s order.
- (j) The Respondent agrees to make a payment of \$25,000 to the Commission for the benefit of third parties, and a payment of \$25,000 to the Commission representing a partial repayment of the costs of the investigation of this matter.

- (k) In the event that the payments set out in paragraph (j) above, are not made in full, the provisions of paragraphs (b) through (i) shall continue in force until such payments are made in full without any limitation as to time period.
16. The Respondent agrees to personally make any payments ordered above within 4 years of the date of the Commission's order. The Respondent will not be reimbursed for, or receive a contribution toward, this payment from any other person or company.
17. The Respondent undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs (b) through (i) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

PART VII – STAFF COMMITMENT

18. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 19 below.
19. If the Commission approves this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

20. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for a date to be agreed by Staff and the Respondent, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.
21. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondent's

conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.

22. If the Commission approves this Settlement Agreement, the Respondent agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
23. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
24. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

25. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:
 - (i) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the settlement hearing takes place will be without prejudice to Staff and the Respondent; and
 - (ii) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.
26. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the

Settlement Agreement, both parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

- 27. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.
- 28. A fax copy of any signature will be treated as an original signature.

Dated this 14th day of September, 2011

“Saverio Manzo”

Saverio Manzo

“Stephen Edell”

Witness

Dated this 14th day of September, 2011

“Tom Atkinson”

Tom Atkinson
Director, Enforcement Branch

Schedule "A"

Ontario Securities Commission de l'Ontario	Commission des valeurs mobilières	P.O. Box 55, 19 th Floor 20 Queen Street West Toronto ON M5H 3S8	CP 55, 19e étage 20, rue queen ouest Toronto ON M5H 3S8
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**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S-5, AS AMENDED**

- AND -

IN THE MATTER OF ANTHONY IANNO AND SAVERIO MANZO

- AND -

**IN THE MATTER OF SETTLEMENT AGREEMENT BETWEEN STAFF OF THE
ONTARIO SECURITIES COMMISSION AND SAVERIO MANZO**

ORDER

WHEREAS on March 8, 2010 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and Statement of Allegations in this matter pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c S-5, as amended;

AND WHEREAS the Respondent Saverio Manzo ("Manzo") entered into a Settlement Agreement with Staff of the Commission dated September 13, 2011 in relation to the matters set out in the Statement of Allegations (the "Settlement Agreement");

AND WHEREAS the Commission issued a Notice of Hearing on September 13, 2011 announcing that it proposed to consider the Settlement Agreement ;

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

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 Settlement Agreement is approved.
2. Trading in any securities by Manzo shall cease for a period of 4 years commencing on the date of this Order.
3. Acquisition of any securities by Manzo is prohibited for a period of 4 years commencing on the date of this Order.
4. Any exemptions contained in Ontario securities law do not apply to Manzo for a period of 4 years commencing on the date of this Order.
5. Paragraphs 2, 3 and 4 are subject to the exception that Manzo is permitted to transfer within 60 days of the date of this Order to, and trade through, any registered retirement savings account and/or a registered retirement income fund (as defined in the *Income Tax Act (Canada)*) in which Manzo has sole legal and beneficial ownership provided that:
 - (a) the securities traded are listed and posted for trading on the Toronto Stock Exchange or the New York Stock Exchange (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer;
 - (b) Manzo does not own legally or beneficially (in the aggregate, together or with others) more than one percent of the outstanding securities of the class or series of the class in question; and
 - (c) Manzo carries out any trading through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in Manzo's name only.
6. Manzo is reprimanded.

7. Manzo is prohibited from becoming or acting as a director or officer of a reporting issuer for a period of 4 years from the date of this Order.
8. Manzo is prohibited from becoming or acting as a registrant for a period of 4 years from the date of this Order.
9. Manzo is prohibited from becoming or acting as a promoter for a period of 4 years from the date of this Order.
10. Subject to the terms of the Settlement Agreement, Manzo agrees to make a voluntary payment of \$25,000 to the Commission for the benefit of third parties, and a payment of \$25,000 to the Commission representing a partial repayment of the costs of the investigation of this matter.
11. In the event that the payments set out in paragraph 10 are not made in full, the provisions of paragraphs 2 through 9 shall continue in force until such payments are made in full without any limitation as to the time period.

DATED at Toronto this day of September, 2011.
