

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

- and -

LAWRENCE D. WILDER

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated November 1, 1999, as amended by letter dated March 24, 2000 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider (*inter alia*) whether, pursuant to sections 127(1) and 127.1(1) and (2) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), it is in the public interest that:

- a. Lawrence Wilder ("Wilder") be reprimanded;
- b. Wilder be ordered to pay costs incurred by or on behalf of the Commission relating to the investigation and hearing into this matter; and
- c. such other order(s) as the Commission may deem appropriate be made.

2. In a Statement of Allegations dated November 1, 1999 Staff of the Commission alleged the following in respect of Wilder:

that Wilder made statements in a letter dated July 4, 1997 to Staff of the Commission that in a material respect, and at the time and in light of the circumstances under which the statements were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading; specifically, statements concerning the results of due diligence conducted in respect of YBM. In so doing, Wilder acted in a manner contrary to the public interest.

II. JOINT SETTLEMENT RECOMMENDATION

3. Wilder and Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding initiated in respect of Wilder by the Notice of Hearing in accordance with the terms and conditions set out below. Wilder and Staff agree to the settlement on the basis of the facts agreed to as provided in Part III below. Wilder consents to the making of an Order against him in the form attached as Schedule "A", which Order approves this Settlement Agreement, including Wilder’s Letter of Apology, dated May 24th, 2002 (the “Letter of Apology”), which is attached to the Order as Exhibit 1.

III. FACTS

4. The facts which form the basis of this Settlement Agreement are set out in the Letter of Apology, which facts may be considered in the context of the evidence which has been tendered before the Commission during the course of the hearing in this matter which commenced on May 7, 2001 (the “Hearing”).

IV. TERMS OF SETTLEMENT

5. The terms of this Settlement are as follows:

- a. Wilder offers and Staff accepts the apology set out in the Letter of Apology;
- b. Wilder acknowledges that by employing the language in his July 4, 1997 letter, referenced in his Letter of Apology, he acted in a manner that was contrary to the public interest;
- c. Staff does not continue to advance any allegation of an intention to mislead on the part of Wilder;
- d. Wilder makes no admission of an intention to mislead;
- e.
 - i) Wilder has made a payment totaling \$150,000.00, which payment has been made in respect of the costs awarded in connection with Wilder's application for judicial review to the Divisional Court and the appeal of that application for judicial review to the Court of Appeal; and
 - ii) Wilder has made a voluntary payment totaling \$250,000 which payment has been made in respect of the costs of the investigation of this matter and the costs of the hearing of this matter.

V. STAFF COMMITMENT

6. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Wilder respecting the facts set out in Part III of this Settlement Agreement.

VI. PROCEDURE FOR APPROVAL OF SETTLEMENT

7. Approval of this Settlement Agreement shall be sought at a public hearing of the Commission (the "Settlement Hearing") scheduled for such date as is agreed to by Staff and Wilder.

8. Respondents participating in the Hearing who have not entered into a settlement agreement (the “Non-Settling Respondents”) have provided their written consent to having the panel which is conducting the Hearing (the “Hearing Panel”) preside over the Settlement Hearing where this Settlement Agreement will be considered and, if appropriate, approved. Furthermore, the Non-Settling Respondents have provided their written waiver of any argument they may have relating to jurisdiction, alleged bias, alleged unfairness or any other challenge resulting from the consideration of this Settlement Agreement by the Hearing Panel.

9. Counsel for Staff and counsel for Wilder may refer to any part or all of this Settlement Agreement at the Settlement Hearing. Staff and Wilder agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

10. If this Settlement Agreement is approved by the Commission, Wilder agrees to waive his rights under the Act to a full hearing, judicial review or appeal of the matter.

11. Staff and Wilder agree that if this Settlement Agreement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

12. Whether or not the Settlement Agreement is approved by the Commission, Wilder agrees that he 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 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.

13. 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:

- a. this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Wilder leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Wilder;
- b. except as set out in paragraph 12 above, Staff and Wilder 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; and,
- c. 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 Wilder, or as may be required by law.

VII. DISCLOSURE OF AGREEMENT

14. Except as required above, this Settlement Agreement and its terms will be treated as confidential by Staff and Wilder 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 Staff and Wilder, or as may be required by law.

15. Any obligations of confidentiality attaching to this Settlement Agreement shall terminate upon approval of this settlement by the Commission.

VIII. EXECUTION OF SETTLEMENT AGREEMENT

16. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

17. A facsimile copy of any signature shall be as effective as an original signature.

DATED this 24th day of May, 2002

DATED this 24th day of May, 2002

Lawrence D. Wilder

Michael Watson, Q.C.
for Staff of the Ontario Securities Commission

Schedule "A"

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

- and -

LAWRENCE D. WILDER

O R D E R

WHEREAS on November 1, 1999, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the *Securities Act*, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Wilder (among others);

AND WHEREAS Wilder and Staff of the Commission ("Staff") entered into a settlement agreement dated May 24th, 2002 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff, and upon hearing submissions from counsel for Wilder and Staff;

AND UPON reviewing the Letter of Apology attached as Exhibit 1 to this Order;

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 (including the Letter of Apology dated May 24th, 2002, attached to this Order as Exhibit 1) is hereby approved.

DATED at Toronto this _____th day of May, 2002.

**Lawrence D. Wilder
40 King Street West
Toronto, ON M5H 3C2**

Exhibit 1

Letter of Apology

May 24, 2002

By Courier

Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario
M5H 3S8

Attention: David Brown, Q.C.
Chair

Dear Sir:

Re: YBM Magnex International Inc. (“YBM” or the “Company”)
- Letter to Dorothy Sanford dated July 4, 1997

I am writing to you in connection with my letter dated July 4, 1997 to the Ontario Securities Commission (the “Commission”) to the attention of Ms. Dorothy Sanford (the “Letter”), the complete text of which is set out herein. Specifically, I wish to address the two italicized paragraphs which appear below:

Further to your letter to [another counsel] of our office dated July 2, 1997 and our subsequent telephone conversations, we have consulted with our client and its independent auditors. We have also discussed the contents of your letter with the underwriters and their counsel. YBM has engaged the services of a “big six” accounting firm (the “Confirming Accountant”) to commence the preparation of the additional procedures detailed in the attached schedule. Please note that in accordance with your direction, we have made all prior correspondence and documentation available to the Confirming Accountant including the Price Waterhouse materials referred to in your July 2 correspondence.

We have been advised that, to date, the Confirming Accountant has completed the tracing of 75% of consolidated net sales for the year ended December 31, 1996 from source documents to cash receipts without exception. In addition, the Confirming Accountant has completed substantially all of its sales confirmations with the various YBM customers in order to corroborate their existence and no exceptions have been found. The Confirming Accountant expects to complete its other procedures and render its formal report on or before Tuesday, July 8, 1997. It was originally intended to render the formal report today and the slight delay is due to today's Independence Day holiday in the United States which is expected to delay the receipt of certain U.S.-based customer confirmations. As directed in your June 24, 1997 correspondence, the report shall be provided to OSC staff at the same time as YBM.

When we reviewed your July 2, 1997 correspondence with the Confirming Accountant, they advised that an independent audit of YBM's reported sales would not be feasible given the time constraints surrounding this matter. They pointed out that since they had not prepared the financial statements for YBM, to obtain the necessary internal audit client approvals would entail substantial delay. This, combined with the fact that such approvals would have to be obtained in four separate jurisdictions together with the time delay inherent in the actual preparation of this audit would make this proposal totally impractical in the context of the subject financing. Accordingly, although the procedures being undertaken by the Confirming Accountant are, for all intents and purposes, similar to those that would be undertaken in an audit, we are unable to comply with your July 2, 1997 request that an actual audit of reported sales be performed. After discussing the matter extensively with the Company, its auditors and the Confirming Accountant as well as the with underwriters and their advisors, we believe that the proposal as set out in our earlier correspondence and herein should provide staff with the necessary level of comfort from a due diligence standpoint with respect to the Company's reported sales. We believe that staff should take comfort in the fact that, although not an audit, we do not believe that any "big six" accounting firm would render a report such as this one lightly in these circumstances.

We also wish to highlight the following:

1. The Company has already received an unqualified audit opinion from its own auditors, Parente, Randolph, Orlando, Carey and Associates ("Parente"). At no time was it ever suggested by any party that the financial statements of YBM were not prepared in accordance with Generally Accepted Accounting Principles or that the audit conducted by Parente was not in accordance with Generally Accepted Auditing Standards.
2. As stated in your correspondence, with the exception of customer identification and the tracing of sales, Price Waterhouse has stated that based upon the responses received from Parente, it was not dissatisfied with Parente's work to date.
3. In order to address these specific concerns enumerated by Price Waterhouse as well as the concerns set forth in your correspondence, YBM has instructed the Confirming Accountant to undertake very extensive and unusual additional procedures in order to provide you with due diligence comfort.

4. We believe that the Price Waterhouse draft report must be viewed in conjunction with the response letter of Parente to you dated June 25, 1997 in order to view such report (whose scope was extremely limited) in its proper context. This is especially important due to the fact that Parente was never given an opportunity to respond to the issues raised in the report in advance, which we believe to be highly unusual given their familiarity with YBM.
5. The report being prepared by the Confirming Accountant will not be prepared in reliance upon management representations.
6. We note that upon our review of the due diligence procedures conducted by the underwriters and their advisors to date, the underwriters and Price Waterhouse have already performed extensive due diligence with a particular focus on reported sales. YBM provided the underwriters with names and contact numbers of customers and approximately \$33,000,000 of reported sales were already confirmed either by the underwriters independently or in conjunction with Price Waterhouse through telephone conversations with customers. In addition to simply confirming sales figures, the underwriters and their advisors also discussed with such customers the nature and extent of their business relationship with YBM. Should you require any further particulars concerning the nature of these discussions, the underwriters have indicated that they would be pleased to provide you with same.

As discussed above, the Confirming Accountant will be in a position to deliver its report to you no later than Tuesday, July 8, 1997. Based upon the results reported to date, we believe that the report will represent a continuation of the series of favourable due diligence results pertaining to the business of YBM conducted by independent parties. This stands in stark contrast to the rumors and innuendo to which YBM has been subject and which, based upon the information provided to us to date, have not been subject to any outside scrutiny or independent verification whatsoever.

As discussed previously, the Company, its advisors, as well as the underwriters and their advisors have made every effort to address each concern raised to date in order to complete this financing and allow the Company to complete its acquisition transaction which is crucial to its continued success. Needless to say, YBM's inability to proceed with this financing despite the efforts of all of the parties concerned and referenced herein would have serious and lasting negative consequences to the Company and its shareholders. We respectfully submit that such an occurrence would not be in the public interest in view of the extensive due diligence completed to date and the uniformly positive results thereof.

We would be pleased to meet with you at any time to discuss the contents of this letter with a view towards reaching a definitive settlement of these issues.

Yours very truly,

CASSELS BROCK & BLACKWELL

Per: [Signature]

Lawrence D. Wilder

In the two italicized paragraphs quoted above, I referred to positive or favourable due diligence results respecting YBM. I had summarized those positive due diligence results earlier in the Letter. The Letter did not mention the results of the work of either the Fairfax Group (“Fairfax”) or the Special Committee of the Board of Directors of YBM (the “Special Committee”), of which I was aware and which were, I acknowledge, not uniformly positive.

I appreciate that the language I employed in the Letter can be read to encompass the work of both Fairfax and the Special Committee and that, consequently, the paragraphs from the letter quoted in italics above were misleading. For that, I most sincerely apologize.

I recognize that counsel have a duty to express themselves clearly when communicating with Commission Staff, particularly in the context of a review of a draft prospectus. Please accept this letter as my sincere expression of regret.

Yours truly,

Per: [Signature]

Lawrence D. Wilder