

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

and -

**IN THE MATTER OF THE FARINI COMPANIES INC.,
and DARRYL HARRIS**

**SETTLEMENT AGREEMENT BETWEEN STAFF
OF THE ONTARIO SECURITIES COMMISSION,
THE FARINI COMPANIES INC. and DARRYL HARRIS**

INTRODUCTION

1. By notice of hearing dated April 22, 2003, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to section 127 of the Securities Act, it is in the public interest for the Commission to make an order:
 - (a) that trading in securities by the respondents cease permanently or for such period as the Commission may direct;
 - (b) that the respondents be reprimanded;
 - (c) that Harris resign any positions that he holds as a director or officer of any issuer;
 - (d) that Harris be prohibited from becoming or acting as a director or officer of any issuer permanently or for such period as the Commission may direct;
 - (e) that the respondents pay the costs of Staff's investigation in relation to this matter;
 - (f) that the respondents pay the costs of or related to the hearing that are incurred by or on behalf of the Commission; and
 - (g) to make such other order as the Commission may deem appropriate.

II JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceeding initiated in respect of the respondents by the Notice of Hearing in accordance with the terms and conditions set out below. The respondents 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

Acknowledgement

3. For the purposes of this settlement agreement, the respondents agree with the facts set out in this Part III.

Factual Background

4. The Farini Companies Inc. is an Ontario corporation which manufactured and distributed pasta makers and food products.
5. Farini is a reporting issuer in Ontario whose shares traded on the Canadian Dealers Network until October, 2000.
6. Darryl Harris has been a Director of Farini since October 8, 1999.

Failure to Meet Financial Statement Filing Requirements

7. During the period between May, 1996 and May, 2002, Farini repeatedly failed to file both interim and audited annual financial statements with the Commission within the time periods prescribed by sections 77 and 78 of the *Securities Act*.
8. In particular, Farini failed on 11 occasions to file its interim financial statements within the time period prescribed by section 77 of the *Securities Act*.
9. Specifically, Farini failed to file:
 - (a) its first quarter interim financial statements for the 1998, 1999, 2000, 2001 and 2002 fiscal years;
 - (b) its second quarter interim financial statements for the 1998, 2000, 2001 and 2002 fiscal years; and
 - (c) its third quarter interim financial statements for the 1998, 1999 and 2000 and 2002 fiscal years
 within the required time period.
10. In addition, Farini failed on 8 occasions to file its annual comparative financial statements within the time period prescribed by section 78 of the *Securities Act*.
11. Specifically, Farini failed to file its annual comparative financial statements for the 1995, 1996, 1997, 1998, 1999, 2000, 2001, and 2002 fiscal years within the required time period.

12. As a result of Farini's failure to file its financial statements in a timely manner, the Commission imposed four cease trade orders on its shares. The Commission's orders to this effect were dated May 28, 1999, July 26, 2000, May 25, 2001 and May 24, 2002.
13. To date, Farini's latest failure to file has not been rectified, and the Commission's cease trade order dated May 24, 2002 remains in effect.

Harris' Responsibility

14. Harris was a Director of Farini at the time of the following breaches, namely:
 - (a) 8 failures to file interim financial statements within the time periods prescribed by section 77 of the *Securities Act*; and
 - (b) 4 failures to file annual comparative financial statements within the time periods prescribed by section 78 of the *Securities Act*.
15. Specifically, Harris was a Director at the time of Farini's failure to file:
 - (a) its first quarter interim financial statements for the 2000, 2001, and 2002 fiscal years;
 - (b) its second quarter interim financial statements for the 2000, 2001 and 2002 fiscal years;
 - (c) its third quarter interim financial statements for the 1999, 2000 and 2002 fiscal years; and
 - (d) its annual comparative financial statements for the 1999, 2000, 2001 and 2002 fiscal years

within the required time period.

Conduct Contrary to the Public Interest

16. Farini breached sections 77 and 78 of the *Securities Act*, as set out above, and thereby acted in a manner contrary to the public interest.
17. Harris authorized, permitted or acquiesced in Farini's contraventions of sections 77 and 78 of the *Securities Act* and thereby acted in a manner contrary to the public interest.
18. The respondents agree that it is in the public interest for the Commission to make an order in the form attached as Schedule "A".

IV TERMS OF SETTLEMENT

19. The respondents agree to the following terms of settlement:
- (a) The Commission will make an order under clause 7 of section 127(1) of the Act requiring Harris to resign his position as a Director of Farini by June 30, 2003;
 - (b) The Commission will make an order under clause 8 of section 127(1) of the Act prohibiting Harris from becoming or acting as a director or officer of any issuer for a period of one year following the date of the order; and
 - (c) The Commission will make an order under clause 6 of section 127(1) of the Act reprimanding Farini and Harris.

STAFF COMMITMENT

20. 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 the respondents in relation to the facts set out in Part III of this settlement agreement, subject to the provisions of paragraph 24 below.

PROCEDURE FOR APPROVAL OF SETTLEMENT

21. Approval of this settlement agreement shall be sought at the public hearing of the Commission scheduled for Wednesday June 25, 2003, or such other date as may be agreed to by Staff and the respondents in accordance with the procedures described in this settlement agreement.
22. Staff and the respondents 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 respondents agree to waive their rights to a full hearing, judicial review or appeal of the matter under the *Securities Act*.
23. Staff and the respondents agree that if this settlement agreement is approved by the Commission, neither Staff nor the respondents will make any public statement inconsistent with this settlement agreement.
24. If the respondents fail to honour the agreement contained in paragraph 23 of this settlement agreement, Staff reserve the right to bring proceedings under Ontario securities law against the respondents based on the facts set out in Part III of this settlement agreement, as well as the breach of the settlement agreement.
25. 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 the respondents 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.

- 26. Whether or not this settlement agreement is approved by the Commission, the respondents 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.

DISCLOSURE OF AGREEMENT

- 27. 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 both the respondents and Staff or as may be required by law.
- 28. Any obligations of confidentiality shall terminate upon approval of this settlement agreement by the Commission.

EXECUTION OF AGREEMENT

- 29. This settlement agreement may be signed in one or more counterparts which together shall constitute a binding agreement.
- 30. A facsimile copy of any signature shall be effective as an original signature.

Dated this 23rd day of June, 2003.

Witness

"Darryl Harris"
Darryl Harris

Dated this 23rd day of June, 2003.

THE FARINI COMPANIES INC.

Per:
"Darryl Harris"
Darryl Harris
Authorized Signing Officer

Dated this 23rd day of June, 2003

**STAFF OF THE ONTARIO
SECURITIES COMMISSION**

Per:

“Michael Watson”

Michael Watson

Director, Enforcement Branch