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

- and -

EDEN RAHIM

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated June 8, 2004, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act* (the "Act"), it is in the public interest for the Commission to make the following orders in respect of Eden Rahim ("Rahim" or the "Respondent"):

   (a) that certain terms and conditions be placed on the registration of Rahim;

   (b) that Rahim be reprimanded;

   (c) that Rahim be ordered to pay a portion of the costs of the investigation and this proceeding; and

   (d) such other orders as the Commission may deem appropriate.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") recommends settlement of the allegations against Rahim in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order against him in the form attached as Schedules "A" on the basis of the facts set out in Part IV herein.

3. This settlement agreement, including the attached Schedule "A" (collectively, the "Settlement Agreement") will be released to the public only if and when the Settlement Agreement is approved by the Commission.

III. ACKNOWLEDGEMENT

4. Staff asserts as true and the Respondent does not contest the facts set out in Part IV herein. The Respondent specifically agrees with the facts contained in paragraphs 5, 11-17 and 23-24. The Respondent has no specific knowledge as to the facts contained in paragraph 6-10 and 18-22. The parties agree that the acknowledgement herein is for the purposes of this Settlement Agreement only and further agree that this acknowledgement of facts is without prejudice to the Respondent in any other proceeding including, but without limiting the generality of the foregoing, any proceedings brought by the Commission under the Act or any civil or other proceedings which may be brought by any other person or agency.

IV. AGREED FACTS

i) The Respondent

5. Eden Rahim ("Rahim") was a portfolio manager at RBC Global Investment Management Inc. ("RBC GIM"), and was registered in Ontario as a portfolio manager. During the material time Rahim was the portfolio manager of the Royal Canadian Growth Fund ("RCGF"), an RBC Mutual Fund in respect of which RBC GIM exercised management authority.

ii) The Offering

6. By letter dated October 11, 2001, Bioscrypt Inc. ("Bioscrypt"), a reporting issuer in Ontario, listed and posted for trading on the Toronto Stock Exchange ("TSX"), under the trading symbol "BYT", was advised by National Bank Financial Inc. ("NBF") that a syndicate of agents, including Paradigm Capital Inc. ("Paradigm"), would be formed to work with Bioscrypt in connection with a proposed private placement of special warrants (the "Offering"). NBF agreed to invite Paradigm, as well as other securities dealers, to act as an agent. The letter specified that the terms of the Offering were to include the following: that the special warrant would be exercisable for no additional consideration into a common share; that the Offering would be for gross proceeds of $10 million; that the agents would market the Offering on a best efforts basis; that the Offering would close on November 13, 2001; and that the agents'commission would be 6.5% of the gross proceeds of the Offering, as well as compensation options. On October 12, 2001 the President and CEO of Bioscrypt, Pierre Donaldson ("Donaldson"), accepted the terms and conditions set out in the October 11, 2001 letter, subject to a minor amendment specifying that only 5% commission would be paid in connection with gross proceeds received from insiders.

8. On October 17, 2001, a meeting was held at the offices of NBF attended by the members of the syndicate, including Paradigm, and management of Bioscrypt. At

this meeting, a dry run was held of the presentation which was to be given during a cross country "road show" which was to commence on October 22, 2001. The dry run included the presentation of the Terms of the Issue (the "Terms") which specified the nature of the security being offered (special warrants), the size of the Offering (approximately $10 million, of which $1 million had been committed to by Donaldson), the closing date (November 13, 2001), the escrow conditions, and the agents on the Offering.

9. By letter dated October 17, 2001, Bioscrypt made an initial request to the TSX to grant price protection in respect of the Offering, noting that the closing price of Bioscrypt's common shares on October 16, 2001 was $2.38. In a further letter to the TSX dated October 22, 2001, Bioscrypt provided additional details in respect of the terms of the proposed Offering including the fact that insiders of Bioscrypt intended to participate in the Offering. By letter dated October 26, 2001 the TSX confirmed that price protection had been granted by the TSX to yield a minimum issue price of $2.12 per special warrant. A subsequent amendment of the price protection was sought by Bioscrypt on October 30, 2001 in order to reflect the closing price of Bioscrypt's common shares of $1.95 on October 29, 2001. The TSX granted the amendment, but only in respect of arm's length purchasers of the Offering. As a result, the special warrants were ultimately issued to arm's length purchasers at $1.60, and to insiders (i.e. Donaldson) at $1.74.

10. In the period October 22, 2001 to October 30, 2001 the road show was conducted. A series of presentations to market the Offering were made to various institutional investors in Montreal, Toronto, Winnipeg and Vancouver by senior officers of Bioscrypt, and representatives from the syndicate. At these meetings, the Terms were discussed with the would-be investors. In addition to the formal "road show" presentations, during this same period, the members of the syndicate also solicited the interest of institutional investors via telephone communications.

11. On November 2, 2001 Bioscrypt issued a press release in respect of the Offering announcing that NBF, as lead agent, together with Paradigm as co-lead, and two other securities dealers, had agreed to act as agents on a "best efforts" basis in connection with a private placement of $10 million of Special Warrants to be issued at $1.60 each. The private placement closed on November 13, 2001.

iii) Rahim Commits to Purchase Special Warrants

12. On October 18, 2001, Patrick McCarthy ("McCarthy"), an institutional salesperson at Paradigm, sent an e-mail to Rahim, forwarding a copy of the Terms. McCarthy suggested that a meeting be held the following week, at which Bioscrypt's CEO, Donaldson, would attend. At that time, the RCGF held approximately 1,551,100 freely trading shares of Bioscrypt. Approximately 570,000 of these shares had been purchased in the period July 1 to September 30, 2001 in an RBC GIM account at Paradigm in respect of which McCarthy was the institutional salesperson.

13. On or about October 26, 2001, a meeting was held with Rahim at the offices of RBC GIM attended by McCarthy and Donaldson. During the course of the meeting a presentation was made to Rahim in respect of the Offering. By no later than October 30, 2001, Rahim advised McCarthy that he intended to invest $2 million in the Offering on behalf of the RCGF.

14. At the time of engaging in these discussions, Rahim's employer, RBC GIM, had an insider trading policy to address circumstances where a portfolio manager learns of material facts, from a person in a special relationship with an issuer, which have not been generally disclosed. Rahim was required to annually review and sign off on this policy. The RBC GIM policy in effect at that time stated as follows:

If an RBC GIM Portfolio Manager or employee comes into possession of insider information, the law is clear that the portfolio manger or staff member is automatically prohibited from trading in that security. From a practical stance however, as an investment management company RBC GIM has a fiduciary responsibility to all account holders to continue to manage their money in accordance with the terms of their contracts and in their best interests.

Accordingly, to avoid the use of insider information in connection with trades in securities on behalf of our account holders, the following procedures must be followed:

1. As soon as a Portfolio Manager ("PM") or other RBC GIM staff member comes into possession of information relating to a reporting issuer that is not public or has not been publicly disclosed, the PM or staff member must immediately cease from passing on such information or talking about the information with any person, other than persons indicated in items 2 and 3 of this procedure document.

2. The PM or staff member affected will immediately notify the President of RBC GIM, who does not actively invest for clients' portfolios.

3. The President will notify the Vice President, Compliance, of the acquisition of the information, determine if the information is indeed "insider" information and if necessary, obtain legal counsel depending on the particulars of the situation.

4. No personal trading in the security that is the subject of the information may be made by the affected PM, any staff who also are aware of the information, or by the President and the Vice President, Compliance.

5. The portfolios managed by the affected PM continue to be managed in the ordinary course, except that the affected PM will not participate in any

decisions relating to the security to which the information relates. Rather, all trading in this security will be handled following the same strategy used for all accounts by the portfolio managers who are not aware of the insider information.

6. Depending on anticipated public disclosure of the relevant information, the President will determine with the Vice President, Compliance the appropriate timeframe in which the moratorium on having the PM trade in that particular security for his/her client's account should last…

7. The employees affected will take not action with respect to the security until advised by the President in writing that they can do so.

iv) The "Overtrade"

15. Contemporaneous with confirming Rahim's interest on behalf of the RCGF in the Offering, McCarthy also discussed with Rahim participating in what McCarthy described as an "overtrade" involving the freely trading shares of Bioscrypt held by the RCGF. An "overtrade" was understood to be an investment strategy that resulted in an investor purchasing freely trading shares in a company from an existing shareholder with the existing shareholder replacing those shares by purchasing shares on a new issue from the company's treasury.

16. On October 31, 2001, McCarthy e-mailed Rahim, stating "I need to talk to you on BYT, we are closing the books tonight and I want to make sure that we are clear on a few things. I have you in the book for $2m plus the overtrade, which we talked about being 450,000 shares at $1.70, but I could make that slightly bigger if you are interested. Please give me a call…"

17. On the morning of November 1, 2001, Rahim sent an e-mail in response to McCarthy, stating "that's fine if you need to make the overtrade larger, let me know how much, and I'll put it on the desk with JP [an equity trader at RBC GIM]". McCarthy replied to Rahim the same day, stating:

> Just want to double check all of the numbers with you:
> You are buying 125,000 shares of the deal at $1.60.
> The overtrade we are proposing has been increased to 600,000 shares at $1.70.
> Therefore, you will be subscribing for 1,850,000 shares of the deal, and writing a cheque on November 12 for closing on November 13 for $2,960,000.
> On the overtrade, you will have proceeds of $1,020,000.
> Please confirm that this is OK, and we can do that trade later today.

Rahim replied shortly thereafter, stating "That's fine, I'll put the order on the desk".

18. During the course of the road show in respect of the Offering, certain institutional investors advised McCarthy that they were not interested in purchasing securities pursuant to the Offering (which securities were subject to certain resale restrictions), but were interested in purchasing freely trading stock.

19. Peter Hodson ("Hodson") was a portfolio manager at Synergy Asset Management Inc. ("Synergy") serving as lead manager for the Synergy Canadian Small Cap Fund. Synergy was a client of Paradigm. On October 23, 2001, Hodson met with officials from Bioscrypt and Paradigm during which time a presentation was made in respect of the Offering. Hodson declined to purchase special warrants under the Offering but advised Paradigm that Synergy would be interested in purchasing freely trading shares of Bioscrypt. On November 1, 2001 Synergy placed an order to purchase up to 150,000 shares of Bioscyrpt at $1.70.

20. Chayanne Fickes ("Fickes") was a portfolio manager with Canadian Pacific Management Limited ("CP") where she managed the Canadian Pacific North American Pension Trust. CP was a client of Paradigm. On or about November 1, 2001, Fickes became aware of a block of Bioscrypt stock being made available. As a result, on November 1, 2001 CP placed on order to purchase up to 450,000 freely trading shares of Bioscrypt at $1.70.

21. On November 1, 2001, trading in shares of Bioscrypt opened at a price of $1.90. In order for Paradigm to complete the "overtrade", which was to be filled at $1.70, it was necessary for Paradigm to clean out the prices in the "market book" to achieve the "crossing" price for the overtrade. By means of 34 sell transactions, totaling 56,100 Bioscrypt shares (which formed part of the 600,000 shares to be sold on the "overtrade" by RBC GIM), the price of Bioscrypt was brought down to $1.70. The purchasers of these 56,100 shares, at an average price of $1.7984, had no knowledge of the Offering at the time their buy orders were filled by Paradigm on November 1, 2001.

22. Once the share price was brought down to $1.70, the cross of the remaining 600,000 shares from the "overtrade" was executed. The 56,100 shares sold to bring the price down were deducted on a pro-rata basis from the orders placed by Synergy and CP. As a result of the "overtrade", Synergy purchased 135,000 shares at $1.70; CP purchased 408,900 at $1.70; and RBC GIM sold 600,000 shares at an average price of $1.7092.

v) The Respondent's Position

23. On October 7, 2003, Rahim was dismissed in good standing by RBC GIM. Rahim has not been employed since that time.

24. Rahim believed that anyone who purchased shares sold on the overtrade would be someone who had knowledge of the Bioscrypt private placement. Rahim's conduct did not violate securities law.

V. CONDUCT CONTRARY TO THE PUBLIC INTEREST

25. Rahim acted contrary to the public interest by agreeing to sell shares of Bioscrypt in the secondary market pursuant to the overtrade, after being informed of a material fact which had not been generally disclosed, in circumstances where Rahim, in accordance with the policy of his employer, may have been required not to participate in any decisions relating to trading shares of Bioscrypt in the secondary market. Although not intended or anticipated by Rahim, his conduct contributed to shares of Bioscrypt being sold by persons with knowledge of a material fact respecting Bioscrypt which had not been generally disclosed, to persons who had no knowledge of that material fact.

VI. TERMS OF SETTLEMENT

26. Rahim agrees to the following terms of settlement:

(a) that Rahim's registration as a portfolio manager be subject to a term and condition; specifically, that for a period of one year Rahim is not permitted to participate in a private placement of securities on behalf of any fund that he may manage without the prior written consent of his supervisor,

(b) that Rahim be reprimanded; and

(c) that Rahim will make a payment of $30,000 to the Ontario Securities Commission in respect of a portion of the costs of the investigation and this proceeding.

VII. STAFF COMMITMENT

27. If this Settlement Agreement is approved by the Commission, Staff is satisfied that the terms of settlement in Part VI will sufficiently address the public interest concerns raised herein. In particular, Staff agrees to not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of the Respondent in relation to the facts set out in Part IV of this Settlement Agreement, subject to the provisions of paragraph 31 and 32 below.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

28. Approval of this Settlement Agreement shall be sought at the public hearing of

the Commission scheduled for June 15, 2004 or such other date as may be agreed to by Staff and the Respondent.

29. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondent also agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

30. Staff and the Respondent agree that if this Settlement Agreement is approved by the Commission, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement.

31. If the Respondent fails to honour the agreement contained in paragraph 30 of this Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against the Respondent based on the facts set out in Part IV of this Settlement Agreement, as well as the breach of the Settlement Agreement.

32. If the Settlement Agreement is approved by the Commission, and at any subsequent time the Respondent fails to honour any of the Terms of Settlement set out in Part VI herein, Staff reserve the right to bring proceedings under Ontario securities law against the Respondent based on the facts set out in Part IV of the Settlement Agreement, as well as the breach of the Settlement Agreement.

33. 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 Respondent 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.

34. Whether or not this Settlement Agreement is approved by the Commission, the Respondent agrees that he 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.

IX. DISCLOSURE OF AGREEMENT

35. 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 Respondent and Staff or as may be required by law.

36. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission.

X. EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated this _8th___day of _June__, 2004.

"Geeza Rahim"
_____
Witness

"Eden Rahim"
_____
Eden Rahim

Dated this 9th day of June, 2004

"Michael Watson"
_____
Staff of the Ontario Securities Commission
Per: "Michael Watson"
Director, Enforcement Branch

SCHEDULE "A"

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

AND

EDEN RAHIM

ORDER
(Sections 127 and 127.1)

WHEREAS on _____, 2004, the Commission issued a Notice of Hearing (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the *Securities Act* (the "Act") in respect of Eden Rahim ("Rahim");

AND WHEREAS Rahim entered into a settlement agreement with Staff of the Commission (the "Settlement Agreement"), in which Rahim 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 the Respondent 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) the Settlement Agreement dated _____, attached hereto, is hereby approved;

(b) that pursuant to s.127(1) clause 1, it is a term and condition of the registration of Eden Rahim that for a period of one year Rahim is not permitted to participate in a private placement of securities on behalf of any fund that he may manage without the prior written consent of his supervisor;

(c) that pursuant to s.127(1) clause 6, Rahim be reprimanded; and

(d) that pursuant to s.127.1, Rahim make a payment of $30,000 to the Ontario Securities Commission in respect of a portion of the costs of the investigation and this proceeding.

DATED at Toronto this _____ day of _____, 2004

_____ _____

_____