

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

**IN THE MATTER OF THE *STATUTORY POWERS PROCEDURE ACT*, R.S.O.  
1990, c. S. 22, as amended; and**

**IN THE MATTER OF RONALD IAN LENNOX**

**SETTLEMENT AGREEMENT BETWEEN THE STAFF OF THE ONTARIO  
SECURITIES COMMISSION AND RONALD IAN LENNOX**

**I. INTRODUCTION**

1. Pursuant to section 5(1) of the “Practice Guidelines – Settlement Procedures in Matters Before the Ontario Securities Commission” of the Ontario Securities Commission Rules of Practice, Staff of the Ontario Securities Commission and Ronald Ian Lennox (“Lennox”) propose to settle the matters described further below on the terms set out herein.

**II. STATEMENT OF FACTS**

**Acknowledgment**

2. Lennox acknowledges that the facts set out in paragraphs 3 through 14 of this Settlement Agreement are correct.

**Facts**

3. Lennox is an individual residing in Ontario. During the period November 12, 2004 to October 24, 2005 Lennox sat on the Board of Directors of Labopharm Inc., a reporting issuer.

4. Labopharm had an Insider Trading Policy. Lennox received a copy of the Policy upon joining the Board.
5. On July 27, 2005 the Board of Directors of Labopharm Inc. held a Director's Meeting to approve second quarter financial statements. In addition, a power point presentation was made that described the terms of a U.S. partnership agreement between Labopharm and a third party. At the presentation management reviewed several slides with the Board, including one which indicated "We've gotta deal" and one which stated, in part, under the heading "Next Steps", "Execute agreement during the week of August 8<sup>th</sup>". The Board gave management the authority to execute an agreement as long as it did not materially differ from the terms outlined to the Board. No term sheet or draft agreement was presented to the Board. Lennox has advised Staff that he was of the view that he did not believe it was likely an agreement would be completed. At the Board meeting Lennox was authorized to review the final draft of the agreement (the "Partnership Agreement").
6. On August 2, 2005 Lennox purchased 25,000 shares in Labopharm Inc. between \$3.78 and \$3.90 (the "Share Purchase"). On the same date Lennox filed an Insider Report reflecting the Share Purchase.
7. On August 10, 2005 Labopharm management invoked a blackout period on the trading of shares by insiders pursuant to the Labopharm trading policy. On the same day, Lennox received by email a draft of the Partnership Agreement from counsel for Labopharm. On August 11, 2005 Lennox met with counsel to review the Agreement to insure its consistency with his mandate from the Board.
8. On August 12, 2005 the Partnership Agreement was executed by management of Labopharm and on August 13, 2005 the Partnership Agreement was presented to the Board.
9. On August 21, 2005 *La Presse* reported the Share Purchase by Lennox.
10. On August 24, 2005 Lennox, through his legal advisors, advised Staff of the OSC of the Share Purchase. On the same day Lennox offered to suspend his participation in Board business while the matter of the Share Purchase was investigated.
11. On August 24, 2005 the Board of Labopharm struck a Special Committee to investigate the Share Purchase and to make recommendations. It reported its findings and recommendations by report dated November 18, 2005. The findings of the Special Committee included the following:
  - At the July 27, 2005 Board Meeting the directors and officers discussed the Partnership Agreement and management confirmed its view that the agreement was close to finalization.

- All Officers and Directors at the July 27, 2005 Board Meeting (except for Lennox) expressed to the Special Committee the view that as a result of management's presentation they were in possession of material information.
12. On October 24, 2005 the Board accepted the resignation of Lennox from the Board.
  13. Pursuant to the Share Purchase Lennox may be deemed to have made a profit in the amount of \$21,333.33, as calculated pursuant to s. 122(6) of the Act. Lennox has not resold the shares to date.
  14. Lennox has co-operated with Staff of the Commission in its investigation of this matter. Among other things, Lennox has agreed to attend a corporate governance course.

### **Conduct Contrary to the Public Interest**

15. The Share Purchase was done at a time when Lennox was in possession of a material fact that had not generally been disclosed and by his conduct, as described above, Lennox has acted contrary to the public interest.

### **III. TERMS OF SETTLEMENT**

16. Lennox agrees to the following settlement terms:
  - i. Payment of \$32,000, payable to the Ontario Securities Commission for the benefit of a third party;
  - ii. Payment in the amount of \$5,000 on account of costs incurred by Staff;
  - iii. In furtherance of Lennox's commitment reflected in paragraph 14, above, Lennox will attend a corporate governance course at the University of Toronto's Rotman School of Business, or an alternate course which has the approval of Staff;
  - iv. Pending successful completion of (iii) above and written notification of same to Staff, Lennox undertakes not to trade, in any manner, in securities of any company on which Lennox sits as an Officer or Director, unless he receives prior written confirmation from in-house counsel of the company; and
  - v. Lennox agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of obtaining the Executive Director's consent to 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.

### **IV. STAFF COMMITMENT**

17. If this Settlement receives the consent of the Executive Director, and Lennox satisfies the terms set out above, Staff will not initiate any other proceedings under the Act against Lennox in relation to the facts set out in Part II of this Settlement Agreement.
18. If this Settlement receives the consent of the Executive Director, and at any subsequent time Lennox fails to honour the terms of this Settlement Agreement, Staff reserve the right to refer to this Settlement Agreement in any future proceeding.

## **V. APPROVAL OF SETTLEMENT**

19. If, for any reason whatsoever, the Executive Director does not consent to this Settlement:
  - (a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Lennox leading up to the execution of this Settlement Agreement, shall be without prejudice to Staff and Lennox;
  - (b) Staff and Lennox shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of these matters before the Commission, 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 Lennox or as may be required by law.

## **VI. DISCLOSURE OF SETTLEMENT AGREEMENT**

20. This Settlement Agreement and its terms will be treated as confidential by Staff and Lennox until consented to by the Executive Director and forever, if for any reason whatsoever this settlement is not consented to by the Executive Director, except with the consent of Staff and Lennox, or as may be required by law.
21. Any obligation of confidentiality shall terminate upon receiving the Executive Director's consent to this settlement.
22. Staff and Lennox agree that if the Executive Director does consent to this Settlement, they will not make any public statement inconsistent with this Settlement Agreement.

## **VII. EXECUTION OF SETTLEMENT AGREEMENT**

23. Lennox hereby acknowledges and agrees that he has obtained or waived legal advice in connection with this Settlement Agreement and acknowledges that he understands and voluntarily accepts and agrees to the terms set out herein.

24. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.
25. A facsimile signature of any signature shall be effective as an original signature.

**DATED** this 10<sup>th</sup> day of March, 2006

“Barbara J. Lennox”  
**Witness**

“Ronald Ian Lennox”  
**Ronald Ian Lennox**

**DATED** this 16<sup>th</sup> day of March, 2006

**STAFF OF THE ONTARIO  
SECURITIES COMMISSION**

(Per) “M. Watson per KD”  
**MICHAEL WATSON**  
**Director, Enforcement Branch**

I hereby consent to the settlement of this matter on the terms contained in this Settlement Agreement.

**DATED** this 16<sup>th</sup> day of March, 2006

“Charles MacFarlane”  
**CHARLES MACFARLANE**  
**Executive Director**

